SB 186

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 186 (Senator Kagan)
Budget and Taxation

Green and Renewable Energy for Nonprofit Organizations Loan Program and Fund

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This bill establishes a Green and Renewable Energy for Nonprofit Organizations Loan Program in the Maryland Energy Administration (MEA) and requires the Governor to include specified appropriations for the program in the annual budget bills for fiscal 2025 and 2026. **Uncodified provisions requiring MEA to establish an application process, guidelines, considerations, and an advertising campaign for the program, take effect July 1, 2023; other provisions relating to the program take effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by $153,100 in FY 2024, $5.0 million in FY 2025, and by indeterminate amounts in future years. Special fund revenues and expenditures increase by $5.0 million in FY 2025 and by indeterminate amounts in future years. **This bill establishes a mandated appropriation in FY 2025.**

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	$0	$5.0	-	-	-
GF Expenditure	$0.15	$5.0	-	-	-
SF Expenditure	$0	$5.0	-	-	-
Net Effect	($0.15)	($5.0)	(-)	(-)	(-)

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.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Green and Renewable Energy for Nonprofit Organizations Loan Program

The stated purpose of the Green and Renewable Energy for Nonprofit Organizations Loan Program is to provide financial assistance in the form of no-interest loans to nonprofit organizations for the purchase and installation of qualifying 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 energy system or technical assistance being financed through the loan; (2) the location of the property where the qualifying 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 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, 2024, 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 application, MEA must consider and give priority to an applicant that has an annual budget of $1.0 million or less.

Loans from the Green and Renewable Energy for Nonprofit Organizations Loan Fund (discussed below), that supports the program, may be used for (1) the purchase and installation of a qualifying energy system, including any necessary ancillary machinery, equipment, or furnishings and (2) technical assistance for the planning and installation of a qualifying energy system. MEA may approve an application for a loan for the purchase and installation of a qualifying energy system only if the application demonstrates that the proposed qualifying energy system is estimated, based on projected energy costs, to generate energy cost savings over the useful life of the system that equal or exceed the total amortized cost of the loan. Each borrower, for a loan for the purchase and installation of a qualifying energy system, must contribute at least 10% of the cost of the qualifying 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.

Green and Renewable Energy for Nonprofit Organizations Loan Fund

The bill establishes a Green and 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 of the fund; and (4) repayments and prepayments on loans made from the fund.

In fiscal 2025, the Governor must include in the annual budget bill an appropriation of $5.0 million for the fund. In fiscal 2026, the Governor must include in the annual budget bill an appropriation equal to at least $5.0 million minus the amount in the fund as of June 30 of the immediately preceding fiscal year.

The fund may only be used to pay the expenses of the program and provide loans to eligible borrowers under the program. 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.

Selected Definitions

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

"Qualifying energy system" means a system that (1) generates electricity or usable thermal energy that is used to meet onsite demand and (2) assists the State in meeting the environmental and greenhouse gas reduction goals under § 2-1205 of the Environment Article of the Maryland Code.

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; (4) enhance energy-related economic development and stability in the nonprofit, commercial, and industrial sectors; and (5) reduce greenhouse gas emissions.

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.

State Fiscal Effect:

General Fund Expenditures

General fund expenditures increase by (1) $153,143 in fiscal 2024, reflecting the cost of MEA hiring staff to develop and implement the Green and Renewable Energy for Nonprofit Organizations Loan Program; (2) $5.0 million in fiscal 2025, reflecting the mandated appropriation to the Green and Renewable Energy for Nonprofit Organizations Loan Fund; and (3) by indeterminate amounts in future years to the extent additional appropriations are made to the fund. The Department of Legislative Services notes – with respect to the bill's requirement that the Governor include a specified appropriation in the annual budget bill for fiscal 2026 – that the minimum amount the bill requires to be included will not be known when the fiscal 2026 budget is developed and enacted.

The estimate for fiscal 2024 assumes a 90-day start-up delay from the bill's July 1, 2023 effective date and reflects the cost of MEA hiring one full-time finance manager and one half-time energy specialist. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1.5
Salaries and Fringe Benefits	$138,722
Operating Expenses	14,421
Total FY 2024 General Fund Expenditures	**$153,143**

Beginning in fiscal 2025, once the Green and Renewable Energy for Nonprofit Organizations Loan Fund is established, the ongoing costs for the new staff are assumed to be supported by the fund as expenses of the program.

Special Fund Revenues and Expenditures

Special fund revenues to the Green and Renewable Energy for Nonprofit Organizations Loan Fund increase by $5.0 million in fiscal 2025, and by indeterminate amounts in future years (contingent on the amount of loan repayments to the fund that are received and the extent of additional appropriations, if any, that are made to the fund). Special fund expenditures increase by $5.0 million in fiscal 2025 (assumes the full use of the appropriated funding), and by indeterminate amounts in future years, reflecting the personnel expenses of administering the program, awarding of loans under the program, and other ongoing program costs.

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

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 683 of 2022.

Designated Cross File: None.

Information Source(s): Maryland Energy Administration; Department of Legislative Services

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