HB 1273

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1273 (Chair, Economic Matters Committee)(By Request - Departmental - Maryland Energy Administration)

Economic Matters and Environment and Transportation | Education, Energy, and the Environment

Maryland Strategic Energy Investment Fund and Customer-Sited Solar Program - Alterations

This departmental bill (1) modifies a definition under the Customer-Sited Solar Program; (2) expands the permissible uses of nonsolar alternative compliance payment (ACP) revenues in the Strategic Energy Investment Fund (SEIF); (3) alters the authorized uses of Regional Greenhouse Gas Initiative (RGGI) proceeds in SEIF, relating to building and transportation electrification; and (4) modifies SEIF reporting requirements. **The bill takes effect July 1, 2025**.

Fiscal Summary

State Effect: SEIF expenditures are not directly affected; however, the bill gives the Maryland Energy Administration (MEA) greater flexibility in the use of SEIF funding. Revenues are not affected.

Local Effect: To the extent local governments qualify for loans or grants for building or transportation electrification, they may benefit from greater flexibility of SEIF funding under the bill.

Small Business Effect: MEA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services generally concurs, noting that small businesses, as recipients of funding or through providing goods or services to recipients, could also benefit from greater flexibility of SEIF funding.

Analysis

Bill Summary:

Definition of "Low- to Moderate-Income" – Customer-Sited Solar Program

The bill modifies the existing definition of "low- to moderate-income" under the Customer-Sited Solar Program (funded by solar ACP revenues in SEIF) to mean a household with an annual household income at or below 150% of the "area median income" rather than the "average median income for the State."

Permissible Uses of Nonsolar Alternative Compliance Payment Revenues

The bill authorizes nonsolar ACP revenues in SEIF, paid under § 7-705(b) of the Public Utilities Article, to be used to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit households with low- to moderate-income (in addition to existing permissible uses of nonsolar ACP revenues). "Households with low- to moderate-income" has the same meaning as "low- to moderate-income" specified above under the Customer-Sited Solar Program.

Permissible Uses of Regional Greenhouse Gas Initiative Proceeds

Existing law specifies that at least 20% of RGGI proceeds received by SEIF must be credited to a general efficiency and conservation programs account and a low- and moderate-income efficiency and conservation programs account. The foregoing requirement is unchanged by the bill, except that each of these accounts is converted into an *electrification*, efficiency, and conservation programs account. The bill correspondingly authorizes MEA to use SEIF to provide loans and grants for building electrification and transportation electrification.

Annual Report on Strategic Energy Investment Fund Disbursements

The bill modifies a requirement that MEA annually report on the uses and expenditures of SEIF from the prior fiscal year, to only require a detailed accounting of all amounts *in excess of $10,000* received by and disbursed from the fund, including the amount and recipient of each grant awarded by MEA (existing law requires a detailed accounting of *all amounts* received by and disbursed from SEIF). Additionally, the bill eliminates the requirement that the report identify any instances of multiple grants being awarded to the same person or same address.

The bill also modifies a requirement that the report include an estimate of electricity savings from the programs, projects, activities, and investments, so that it instead requires an estimate of *greenhouse gas* (GHG) savings from the programs, projects, activities, and investments.

Current Law:

Strategic Energy Investment Fund

Under § 9-20B-05 of the State Government Article, MEA must administer SEIF. Among other revenue sources, SEIF receives funds from the sale of carbon dioxide emissions allowances under RGGI and ACP revenues through the State's renewable energy portfolio standard. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

MEA is required to use SEIF for specified uses, including investing in the promotion, development, and implementation of (1) cost-effective energy efficiency and conservation programs, projects, or activities; (2) renewable and clean energy resources; (3) climate change programs directly related to reducing or mitigating the effects of climate change; and (4) demand response programs that are designed to promote changes in electric usage by customers, as specified. SEIF must also be used to provide targeted programs, projects, activities, and investments to reduce electricity consumption by customers in low-income and moderate-income residential sectors.

Regional Greenhouse Gas Initiative – Funding Allocation

RGGI-sourced funding in SEIF is allocated through a statutory formula that provides significant annual funding for energy- and climate change-related programs and initiatives. Specifically, RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than $7.5 million for administrative expenses.

Alternative Compliance Payment Revenues – Funding Allocation

ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities, and, in the case of solar ACP revenues, households with low- to moderate-income (including through the Customer-Sited Solar Program, which is discussed below).

Customer-Sited Solar Program

Chapter 595 of 2024 established the Customer-Sited Solar Program within MEA to (1) increase deployment of customer-sited solar energy generating systems and (2) provide grants to eligible customer-generators that have installed solar energy generating systems with or without energy storage. At least 20% of ACP revenues resulting from solar energy requirements under the RPS must be used to provide grants to support the installation of new solar energy generating systems under the program. The program may provide a grant to an income-verified eligible customer-generator with a low- to moderate-income, in an amount equal to $750 per kilowatt of nameplate capacity for a solar energy generating system, up to a maximum of $7,500 per system. The program terminates June 30, 2027.

"Low- to moderate-income" means a household with an annual household income at or below 150% of the median income for the State.

Climate Solutions Now Act

The Climate Solutions Now Act (CSNA) 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.

CSNA established the goal of the State that the electric distribution system support, in a cost-effective manner, the State's policy goals with regard to (1) GHG reduction; (2) renewable energy; (3) decreasing dependence on electricity imported from other states; and (4) achieving energy distribution resiliency, efficiency, and reliability.

Among other things, CSNA also required the Public Service Commission (PSC) to conduct a one-time study to assess the capacity of the distribution systems of the larger electric and gas companies to successfully serve customers under a managed transition to a highly electrified building sector, which can be viewed on the PSC website.

Annual Report on Strategic Energy Investment Fund Disbursements

By January 1 of each year, MEA must report specified information to the Governor, the Strategic Energy Investment Advisory Board, the General Assembly, and specified committees of the General Assembly relating to the uses and expenditures of SEIF from the prior fiscal year, including:

- a detailed accounting of all amounts received by and disbursed from SEIF, including the amount and recipient of each grant awarded, and identifying multiple grants awarded to the same person or the same address;
- all amounts used by MEA for administrative purposes;
- programs, projects, and activities included in specified statutory categories of expenditures of proceeds from the sale of allowances under RGGI;
- the status of programs, projects, activities, and investments implemented with funds from SEIF;
- an estimate of electricity savings from the programs, projects, activities, and investments;
- the number of allowances sold in each RGGI auction;
- the average allowance price from each auction;
- an estimate of revenue from future auctions;
- an accounting of all amounts received or disbursed by SEIF from all other sources;
- recommendations for changes to the allocation of funds under the statutory categories of expenditures of RGGI auction proceeds;
- the status of programs and expenditures in the current fiscal year; and
- possible or expected program initiatives and changes in later years.

Background: MEA advises that the bill is intended to (1) improve its flexibility to allocate funding from RGGI revenues; (2) meet increasing demand for and interest in electrification, particularly for building electrification projects; (3) establish consistent eligibility criteria for programs funded by general ACP revenues and those that are funded by solar ACP revenues; and (4) reduce the burden on MEA resources when producing its annual report on the uses and expenditures of SEIF and align its reporting requirements with State goals.

With respect to eligibility criteria for ACP funding, MEA notes that under current law nonsolar ACP revenues may only be used to fund projects in low- to moderate-income, overburdened, and underserved communities, whereas solar ACP revenues are also available to individual households that are low- or moderate-income households (that may be outside of low- to moderate-income, overburdened, and underserved communities). According to MEA, the bill ensures that low- and moderate-income households are eligible for programs funded by both solar and nonsolar ACP revenues and allows MEA to target individuals outside of specific geographic areas in the State who are still in significant need of subsidies.

MEA advises that, by limiting the detailed accounting of amounts disbursed from SEIF to those in excess of $10,000, the bill significantly reduces the administrative burden of producing the report, while still including the great majority of MEA’s most significant grants and focusing attention on individual program reviews.

State Expenditures: The bill does not directly affect SEIF expenditures but gives MEA greater flexibility in the use of SEIF funding, which may allow it to more effectively, or fully, spend available funding in a given fiscal year. Under current law, funding for electrification programs from RGGI proceeds may only be disbursed through SEIF's Renewable and Clean Energy Programs Account, but under the bill MEA is also able to allocate RGGI revenues to electrification projects through SEIF's two existing accounts for energy efficiency and conservation programs. Additionally, as mentioned previously, the bill authorizes nonsolar ACP revenues to be deployed to provide grants to low- and moderate-income households outside of low- to moderate-income, overburdened, and underserved communities.

MEA advises that it can handle any increased application volume for its programs, resulting from greater flexibility of SEIF funding, using existing budgeted resources. MEA further advises that its reduced reporting requirements under the bill free up existing staff to fulfill other duties, but otherwise have no impact on its finances or operations.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Department of the Environment; Department of General Services; Maryland Department of Labor; Maryland Department of Transportation; Maryland Energy Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2025
js/sdk Third Reader - March 17, 2025

Analysis by: Ralph W. Kettell

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Strategic Energy Investment Fund and Customer-Sited Solar Program – Alterations

BILL NUMBER: HB1273

PREPARED BY: Landon R. Fahrig, Esq.

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_X_ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

MEA0002 will have little to no impact on small businesses.