# Department of Legislative Services

Maryland General Assembly
2025 Session

## FISCAL AND POLICY NOTE
## First Reader

Senate Bill 247 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Housing and Community Development)

Education, Energy, and the Environment

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**Housing and Community Development - Greenhouse Gas Emissions Reductions - Issuance of Loans and Achievement of Targets**

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This departmental bill authorizes the Department of Housing and Community Development (DHCD) to issue loans, in addition to grants, for specified energy conservation and renewable energy projects under a program required by the Climate Solutions Now Act of 2022. Other program requirements are unchanged. The bill also expands the sources of savings that DHCD may include when calculating the achievement of greenhouse gas (GHG) emissions reduction targets under the EmPOWER Maryland Program. **The bill takes effect July 1, 2025.**

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## Fiscal Summary

**State Effect:** Authorizing DHCD to provide loans, in addition to grants, for specified energy conservation and renewable energy projects does not materially affect State finances or operations, particularly through FY 2030, as discussed below. Expanding eligible funding sources for GHG savings significantly reduces special fund revenues and expenditures for DHCD, most likely beginning in FY 2026, as discussed below.

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

**Small Business Effect:** DHCD has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

**Bill Summary/Current Law:**

*Energy Conservation and Renewable Energy Projects in Multifamily Residential Buildings*

*Current Law:* The Climate Solutions Now Act (CSNA) of 2022 required the Community Development Administration (CDA) in DHCD to develop and implement a program to provide grants for energy conservation projects and projects to install renewable energy generating stations in covered buildings that house primarily low- to moderate-income households. "Covered building" means a commercial or multifamily residential building in the State or a building that is owned by the State and has a gross floor area of 35,000 square feet or more, excluding the garage area. There are certain exclusions, such as a designated historic property. Statute also provides for what constitutes an energy conservation project, with different requirements for residential and commercial buildings. Examples include caulking or weather stripping, insulation, storm windows or doors, and furnace efficiency modifications.

The Governor must include in the annual budget bill an appropriation of $5.0 million in fiscal 2024 through 2026 for the purpose of providing the grants; the program is permanent, despite the cessation of mandated funding.

*The Bill:* CDA may issue loans, in addition to grants, under the program.

*EmPOWER Maryland Program*

*Current Law:* Beginning January 1, 2025, and by January 1 every three years thereafter starting in 2027, DHCD must procure or provide to low-income individuals energy efficiency and conservation programs and services, demand response programs and services, and beneficial electrification programs and services that are on a trajectory to achieve GHG reductions of at least 0.9% of a 2016 baseline after 2027, determined as specified. The requirement applies to the 2025-2033 time period. The reductions count toward the overall GHG emissions reduction targets under the EmPOWER Maryland Program.

*The Bill:* No changes to the basic program requirements for DHCD.

*Current Law:* DHCD may procure or provide savings that are achieved through funding sources that meet the standards of program funding through utility rates or the U.S. Department of Energy (DOE). DHCD may use the savings achieved through all funding sources toward calculating the targeted GHG reductions if the funding sources meet the standards of programs funded through (1) the EmPOWER surcharge or (2) DOE.

*The Bill:* When calculating the achievement of GHG emissions reductions targets, DHCD may include savings that are achieved through all funding sources, to the extent that the savings from those funding sources are achieved (1) in a manner consistent with requirements of DOE or (2) in a manner otherwise consistent with the energy savings requirements applicable to those funding sources.

**Background:** DHCD has implemented the CSNA grant program as the GHG Reduction Program. The department advises that many covered buildings are subsidized properties, such as Low-Income Housing Tax Credit properties, that have strict financial guidelines that prevent them from accepting grants. The ability to provide both grants and loans makes the GHG Reduction Program accessible to all eligible buildings.

Chapter 539 of 2024 altered the EmPOWER Maryland Energy Efficiency Program by, among other things, (1) explicitly requiring electric companies, gas companies, and DHCD to adopt energy efficiency, conservation, demand response, and beneficial electrification measures to support GHG emissions reductions and (2) setting new annual targets for GHG emissions reductions, including specific targets for DHCD.

DHCD advises that changes in eligible funding sources under Chapter 539 preclude about half of its available funding (a mixture of federal and State funds) from counting toward its EmPOWER targets. These funding sources were previously eligible (under Chapter 572 of 2023) and are incorporated into DHCD's current EmPOWER plans. Absent the bill, additional EmPOWER surcharge revenues are required to provide the funding needed to meet the department's EmPOWER targets.

**State Fiscal Effect:** DCHD advises that it expects to provide loans under the bill for certain covered buildings through its GHG Reduction Program. Typical terms of similar loans are 0% interest, with deferred repayments, and maturities ranging from 15 to 40 years. DHCD also advises that it expects most loans to not be repaid. However, in limited circumstances when repayments do occur (such as at maturity, or when a property is no longer used as a rental housing project), those amounts accrue to DHCD and are made available for other purposes under the same program. The amount of annual funding provided through the State budget is not affected by the bill. DHCD can also handle any additional administrative requirements with existing staff. Accordingly, this provision does not materially affect State finances or operations, particularly through fiscal 2030.

Expanding eligible funding sources for GHG savings allows existing federal and State funding to count toward meeting DHCD's GHG reductions targets under the EmPOWER Maryland Program. Absent the bill, DHCD must amend its implementation plan with the Public Service Commission and request additional EmPOWER ratepayer funds to make up the savings from the funding sources that no longer count toward the targets. Those ratepayer funds are collected by electric companies and remitted to DHCD as special funds.

Accordingly, the bill significantly reduces special fund revenues and expenditures for DHCD, most likely beginning in fiscal 2026, from what they would otherwise be. While actual amounts are unknown at this time, DHCD advises that about half of its EmPOWER program is funded through ratepayer funds; for context, the fiscal 2026 budget as introduced includes $63.5 million in ratepayer funds.

**Additional Comments (Electricity Prices):** The bill significantly reduces ratepayer funds collected by electric companies and remitted to DHCD to fund its EmPOWER programs. DHCD programs are typically funded through residential rates.

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## Additional Information

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

**Designated Cross File:** HB 155 (Chair, Environment and Transportation Committee)(By Request - Departmental - Housing and Community Development) - Environment and Transportation.

**Information Source(s):** Department of Housing and Community Development; Public Service Commission; Maryland Department of the Environment; Maryland Energy Administration; Office of People's Counsel; Department of Legislative Services

**Fiscal Note History:** First Reader - January 17, 2025
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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Housing and Community Development - Greenhouse Gas Emissions Reductions - Issuance of Loans and Achievement of Targets

BILL NUMBER: SB 247

PREPARED BY: Chuck Cook

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

This will, potentially, have a positive effect for small businesses that work in the energy conservation space. As more projects become eligible for state funding through loans, these businesses will potentially see greater demand for their services on multi-family buildings.