

HOUSE BILL 1040

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By: **Delegates Stein and Watson**

Introduced and read first time: February 9, 2026

Assigned to: Environment and Transportation and Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Strategic Energy Investment Fund – Mandated Uses – Climate**
3 **Change Programs**

4 FOR the purpose of requiring that money in the Maryland Strategic Energy Investment
5 Fund be allocated in certain amounts in certain years to certain programs that
6 reduce the impact of climate change; and generally relating to the Maryland
7 Strategic Energy Investment Fund.

8 BY repealing and reenacting, with amendments,
9 Article – State Government
10 Section 9–20B–05
11 Annotated Code of Maryland
12 (2021 Replacement Volume and 2025 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – State Government
15 Section 9–20B–05(g–1)
16 Annotated Code of Maryland
17 (2021 Replacement Volume and 2025 Supplement)
18 (As enacted by Section 1 of Chapter 595 of the Acts of the General Assembly of 2024)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
20 That the Laws of Maryland read as follows:

21 **Article – State Government**

22 9–20B–05.

23 (a) There is a Maryland Strategic Energy Investment Fund.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) The purpose of the Fund is to implement the Strategic Energy Investment
2 Program.

3 (c) The Administration shall administer the Fund.

4 (d) (1) The Fund is a special, nonlapsing fund that is not subject to § 7–302 of
5 the State Finance and Procurement Article.

6 (2) The Treasurer shall hold the Fund separately and the Comptroller shall
7 account for the Fund.

8 (e) The Fund consists of:

9 (1) all of the proceeds from the sale of allowances under § 2–1002(g) of the
10 Environment Article;

11 (2) money appropriated in the State budget to the Program;

12 (3) repayments and prepayments of principal and interest on loans made
13 from the Fund;

14 (4) compliance fees paid under § 7–705 of the Public Utilities Article;

15 (5) money received from any public or private source for the benefit of the
16 Fund;

17 (6) money transferred from the Public Service Commission under §
18 7–207.2(d)(3) of the Public Utilities Article; and

19 (7) money distributed under § 2–614.1 of the Tax – General Article.

20 (f) The Administration shall use the Fund:

21 (1) to invest in the promotion, development, and implementation of:

22 (i) cost-effective energy efficiency and conservation programs,
23 projects, or activities, including measurement and verification of energy savings;

24 (ii) renewable and clean energy resources;

25 (iii) climate change programs directly related to reducing or
26 mitigating the effects of climate change; and

27 (iv) demand response programs that are designed to promote
28 changes in electric usage by customers in response to:

29 1. changes in the price of electricity over time; or

1 2. incentives designed to induce lower electricity use at times
2 of high wholesale market prices or when system reliability is jeopardized;

3 (2) to provide targeted programs, projects, activities, and investments to
4 reduce electricity consumption by customers in the low-income and moderate-income
5 residential sectors;

6 (3) to provide supplemental funds for low-income energy assistance
7 through the Electric Universal Service Program established under § 7-512.1 of the Public
8 Utilities Article and other electric assistance programs in the Department of Human
9 Services;

10 (4) to provide rate relief by offsetting electricity rates of residential
11 customers, including an offset of surcharges imposed on ratepayers under Title 7, Subtitle
12 2, Part II of the Public Utilities Article;

13 (5) to provide grants, loans, and other assistance and investment as
14 necessary and appropriate to implement the purposes of the Program as set forth in §
15 9-20B-03 of this subtitle;

16 (6) to implement energy-related public education and outreach initiatives
17 regarding reducing energy consumption and greenhouse gas emissions;

18 (7) to provide rebates under the Electric Vehicle Recharging Equipment
19 Rebate Program established under § 9-2009 of this title;

20 (8) to provide grants to encourage combined heat and power projects at
21 industrial facilities;

22 (9) to provide at least \$1,200,000 in each fiscal year for fiscal year 2025
23 through fiscal year 2028 to the Climate Technology Founder's Fund established under §
24 10-858 of the Economic Development Article;

25 (10) subject to subsection (f-2) of this section, to provide at least \$2,100,000
26 in funding each fiscal year to the Maryland Energy Innovation Fund established under §
27 10-835 of the Economic Development Article;

28 (11) to provide at least \$500,000 each year to the Resiliency Hub Grant
29 Program Fund under § 9-2011 of this title;

30 (12) to provide grants through the Customer-Sited Solar Program under §
31 9-2016 of this title;

32 (13) notwithstanding subsection (g) of this section, to pay costs associated
33 with the Air and Radiation Administration within the Department of the Environment;
34 [and]

1 **(14) BEFORE PROVIDING ANY OTHER FUNDING IN THIS SECTION, TO**
2 **PROVIDE AT LEAST \$365,000,000 IN EACH FISCAL YEAR FOR FISCAL YEARS 2028**
3 **THROUGH 2032 TO PROGRAMS THAT REDUCE THE IMPACT OF CLIMATE CHANGE,**
4 **INCLUDING:**

5 **(I) TO THE ADMINISTRATION IN THE FOLLOWING AMOUNTS**
6 **FOR THE PURPOSES SPECIFIED:**

7 **1. \$100,000,000 TO PROVIDE INCENTIVES TO REPLACE:**

8 **A. GAS AND RESISTIVE ELECTRIC STOVES WITH**
9 **INDUCTION ELECTRIC STOVES;**

10 **B. RESISTIVE ELECTRIC AND DELIVERED-FUEL HEAT**
11 **SYSTEMS WITH HEAT PUMPS AND WINDOW HEAT PUMPS; AND**

12 **C. RESISTIVE ELECTRIC WATER HEATERS WITH HEAT**
13 **PUMP WATER HEATERS;**

14 **2. \$50,000,000 FOR PROGRAMS TO INCREASE SOLAR**
15 **ENERGY DEPLOYMENT, INCLUDING SOLAR CANOPY DUAL-USE TECHNOLOGY,**
16 **COMMUNITY SOLAR, AND SOLAR ENERGY EQUITY GRANTS;**

17 **3. \$25,000,000 FOR PROGRAMS RELATING TO ELECTRIC**
18 **VEHICLE SUPPLY EQUIPMENT, MEDIUM-DUTY AND HEAVY-DUTY ZERO EMISSION**
19 **VEHICLE GRANTS, AND ZERO EMISSION VEHICLE TAX CREDITS;**

20 **4. \$20,000,000 FOR PROGRAMS REGARDING ENERGY**
21 **EFFICIENCY EQUITY GRANTS;**

22 **5. \$10,000,000 FOR PROGRAMS REGARDING SMART**
23 **ENERGY COMMUNITIES;**

24 **6. \$10,000,000 FOR PROGRAMS REGARDING**
25 **RESILIENCY THROUGH INSTALLATION OF MICROGRIDS, RESILIENCY HUBS, AND**
26 **OTHER DISTRIBUTED ENERGY RESOURCES;**

27 **7. \$10,000,000 FOR PROGRAMS REGARDING ENERGY**
28 **INFRASTRUCTURE;**

29 **8. \$6,000,000 FOR RESIDENTIAL AND COMMERCIAL**
30 **CLEAN ENERGY REBATES;**

1 **9. \$2,000,000 FOR PROGRAMS REGARDING CAPITAL**
2 **PROJECTS THAT LEAD TO INCREASED CLEAN ENERGY DEVELOPMENT IN THE STATE;**
3 **AND**

4 **10. \$1,000,000 FOR PROGRAMS REGARDING OFFSHORE**
5 **WIND;**

6 **(II) TO THE DEPARTMENT OF THE ENVIRONMENT IN THE**
7 **FOLLOWING AMOUNTS AND FOR THE PURPOSES SPECIFIED:**

8 **1. \$8,000,000 FOR TECHNOLOGY SUPPORT,**
9 **COMMUNICATIONS, AND MARKETING REGARDING CLEAN ENERGY; AND**

10 **2. \$5,000,000 FOR PROGRAMS REGARDING CLIMATE**
11 **CHANGE;**

12 **(III) TO THE STATE DEPARTMENT OF EDUCATION IN THE**
13 **FOLLOWING AMOUNTS FOR THE PURPOSES SPECIFIED:**

14 **1. \$25,000,000 TO ASSIST COUNTY BOARDS OF**
15 **EDUCATION AND THE BALTIMORE CITY BOARD OF SCHOOL COMMISSIONERS IN**
16 **REDUCING THE CARBON EMISSIONS AS A DIRECT OR INDIRECT RESULT FROM**
17 **SCHOOL FACILITIES AND ACTIVITIES; AND**

18 **2. \$20,000,000 TO ASSIST COUNTY BOARDS OF**
19 **EDUCATION AND THE BALTIMORE CITY BOARD OF SCHOOL COMMISSIONERS IN**
20 **ACQUIRING AND IMPLEMENTING ELECTRIC SCHOOL BUSES;**

21 **(IV) \$1,000,000 TO THE MARYLAND DEPARTMENT OF LABOR**
22 **FOR AN INDUSTRY-LED, REGIONAL-IN-FOCUS, COMPETITIVE WORKFORCE**
23 **DEVELOPMENT GRANT PROGRAM;**

24 **(V) \$5,000,000 TO THE DEPARTMENT OF GENERAL SERVICES**
25 **FOR ENERGY EFFICIENCY INITIATIVES;**

26 **(VI) \$50,000,000 TO THE MARYLAND CLEAN ENERGY CENTER**
27 **ESTABLISHED UNDER § 10-806 OF THE ECONOMIC DEVELOPMENT ARTICLE; AND**

28 **(VII) \$2,000,000 TO THE MARYLAND ENERGY INNOVATION**
29 **INSTITUTE ESTABLISHED UNDER § 10-829 OF THE ECONOMIC DEVELOPMENT**
30 **ARTICLE; AND**

1 ~~[(14)]~~ **(15)** to pay the expenses of the Program.

2 (f-1) (1) Any funding provided under subsection (f)(9) of this section that is not
3 spent in a given fiscal year shall revert to the Fund in the following fiscal year.

4 (2) The Administration may provide additional funding for the purposes
5 stated in subsection (f)(9) of this section.

6 (f-2) Of the funds transferred to the Maryland Energy Innovation Fund under
7 subsection (f)(10) of this section:

8 (1) at least \$1,200,000 may be used to fund the Maryland Clean Energy
9 Center established under § 10-806 of the Economic Development Article; and

10 (2) at least \$900,000 may be used to fund the Maryland Energy Innovation
11 Institute established under § 10-829 of the Economic Development Article.

12 (g) **[Proceeds] EXCEPT AS REQUIRED BY SUBSECTION (F)(14) OF THIS**
13 **SECTION, PROCEEDS** received by the Fund from the sale of allowances under § 2-1002(g)
14 of the Environment Article shall be allocated as follows:

15 (1) at least **[50%] 65%** shall be credited to an energy assistance account to
16 be used for the Electric Universal Service Program and other electricity assistance
17 programs in the Department of Human Services;

18 (2) at least **[20%] 35%** shall be credited to a low and moderate income
19 efficiency and conservation programs account and to a general efficiency and conservation
20 programs account for energy efficiency and conservation programs, projects, or activities
21 and demand response programs, of which at least one-half shall be targeted to the low and
22 moderate income efficiency and conservation programs account for:

23 (i) the low-income residential sector at no cost to the participants
24 of the programs, projects, or activities; and

25 (ii) the moderate-income residential sector; **AND**

26 (3) **[at least 20% shall be credited to a renewable and clean energy**
27 **programs account for:**

28 (i) renewable and clean energy programs and initiatives;

29 (ii) energy-related public education and outreach; and

30 (iii) climate change and resiliency programs; and

1 (4) up to 10%, but not more than] \$7,500,000[,] shall be credited to an
2 administrative expense account for costs related to the administration of the Fund,
3 including the review of electric company plans for achieving electricity savings and demand
4 reductions that the electric companies are required under law to submit to the
5 Administration.

6 (h) (1) Energy efficiency and conservation programs under subsection (g)(2) of
7 this section include:

8 (i) low-income energy efficiency programs;

9 (ii) residential and small business energy efficiency programs;

10 (iii) commercial and industrial energy efficiency programs;

11 (iv) State and local energy efficiency programs;

12 (v) demand response programs;

13 (vi) loan programs and alternative financing mechanisms; and

14 (vii) grants to training funds and other organizations supporting job
15 training for deployment of energy efficiency and energy conservation technology and
16 equipment.

17 (2) Energy-related public education and outreach and renewable and clean
18 energy programs and initiatives under subsection (g)(3)(i) and (ii) of this section include:

19 (i) production incentives for specified renewable energy sources;

20 (ii) expansion of existing grant programs for solar, geothermal, and
21 wind programs;

22 (iii) loan programs and alternative financing mechanisms; and

23 (iv) consumer education and outreach programs that are designed to
24 reach low-income communities.

25 (i) (1) Except as provided in paragraphs (2), (3), and (4) of this subsection,
26 compliance fees paid under § 7-705(b) of the Public Utilities Article may be used only to
27 make loans and grants to support the creation of new Tier 1 renewable energy sources in
28 the State that are owned by or directly benefit:

29 (i) low- to moderate-income communities located in a census tract
30 with an average median income at or below 80% of the average median income for the State;
31 or

1 (ii) overburdened or underserved communities, as defined in § 1–701
2 of the Environment Article.

3 (2) Compliance fees paid under § 7–705(b)(2)(i)2 of the Public Utilities
4 Article shall be accounted for separately within the Fund and may be used only to make
5 loans and grants to support the creation of new solar energy sources in the State that are
6 owned by or directly benefit:

7 (i) low– to moderate–income communities located in a census tract
8 with an average median income at or below 80% of the average median income for the State;

9 (ii) overburdened or underserved communities, as defined in § 1–701
10 of the Environment Article; or

11 (iii) households with low to moderate income, as defined in § 9–2016
12 of this title.

13 (3) For fiscal year 2026 only, up to \$100,000,000 of compliance fees paid
14 under §§ 7–705(b) and 7–705(b)(2)(i)2 of the Public Utilities Article shall be accounted for
15 separately within the Fund and may be used for solar development on State government
16 property and local government clean energy projects.

17 (4) (i) Subject to subparagraphs (ii), (iii), and (iv) of this paragraph,
18 compliance fees paid under § 7–705 of the Public Utilities Article may be used to provide
19 grants to electric companies to be refunded or credited to each residential distribution
20 customer based on the customer’s consumption of electricity supply that is subject to the
21 renewable energy portfolio standard.

22 (ii) The refunding or crediting of amounts to residential distribution
23 customers shall be identified on the customer’s bill as a line item identified as a “legislative
24 energy relief refund”.

25 (iii) An electric company awarded a grant under this paragraph:

26 1. may not retain any of the grant funds to cover overhead
27 expenses; and

28 2. shall provide all of the grant funds to residential
29 distribution customers.

30 (iv) The process under subparagraphs (i) and (ii) of this paragraph
31 related to the refunding or crediting of amounts to residential distribution customers shall
32 be directed and overseen by the Commission.

33 (i–1) (1) (i) In this subsection the following words have the meanings
34 indicated.

1 (ii) "Area median income" has the meaning stated in § 4-1801 of the
2 Housing and Community Development Article.

3 (iii) "Low and moderate income" means having an annual household
4 income that is at or below 120% of the area median income.

5 (2) Compliance fees paid under § 7-705(b-1) of the Public Utilities Article
6 shall be accounted for separately within the Fund and may be used only to make loans and
7 grants to promote increased opportunities for the growth and development of small,
8 minority, women-owned, and veteran-owned businesses in the State that install
9 geothermal systems in the State.

10 (j) (1) The Treasurer shall invest the money of the Fund in the same manner
11 as other State money may be invested.

12 (2) Any investment earnings of the Fund shall be paid into the Fund.

13 (3) Any repayment of principal and interest on loans made from the Fund
14 shall be paid into the Fund.

15 (4) Balances in the Fund shall be held for the benefit of the Program, shall
16 be expended solely for the purposes of the Program, and may not be used for the general
17 obligations of government.

18 (k) Expenditures from the Fund shall be made by:

19 (1) an appropriation in the annual State budget; or

20 (2) a budget amendment in accordance with § 7-209 of the State Finance
21 and Procurement Article.

22 (l) An expenditure by budget amendment may be made under subsection (k) of
23 this section only after:

24 (1) the Administration has submitted the proposed budget amendment and
25 supporting documentation to the Senate Budget and Taxation Committee, Senate
26 Education, Energy, and the Environment Committee, House Appropriations Committee,
27 and House Economic Matters Committee; and

28 (2) the committees have had 45 days for review and comment.

29 (m) (1) A loan or grant made available from the Fund to a unit of State or local
30 government shall comply with §§ 14-416 and 17-303 of the State Finance and Procurement
31 Article.

1 (2) At least 80% of workers participating in a project or program that
2 receives money from the Fund must reside within 50 miles of the project or program, or
3 another distance defined by the local jurisdiction where the project or program is located.

4 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
5 as follows:

6 **Article – State Government**

7 9–20B–05.

8 (a) There is a Maryland Strategic Energy Investment Fund.

9 (g–1) [Proceeds] **EXCEPT AS REQUIRED BY SUBSECTION (F)(14) OF THIS**
10 **SECTION, PROCEEDS** received by the Fund from compliance fees under § 7–705(b)(2)(i)2
11 of the Public Utilities Article shall be allocated as follows:

12 (1) [beginning in fiscal year 2025, at least 20% of the proceeds shall be used
13 to provide grants to support the installation of new solar energy generating systems under
14 the Customer–Sited Solar Program;

15 (2) up to 10% of the proceeds shall be credited to an administrative expense
16 account for costs related to the administration of the Fund;

17 [(3)] (2) proceeds collected but unused from a previous year shall be used
18 before proceeds allocated for the current year; and

19 [(4)] (3) the Administration shall reallocate to other authorized uses any
20 proceeds that are not used within 3 fiscal years after collection.

21 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
22 as follows:

23 **Article – State Government**

24 9–20B–05.

25 (g–1) [Up] **EXCEPT AS REQUIRED BY SUBSECTION (F)(14) OF THIS SECTION,**
26 **UP** to 10% of the proceeds received by the Fund from compliance fees under § 7–705(b)(2)(i)2
27 of the Public Utilities Article shall be credited to an administrative expense account for
28 costs related to the administration of the Fund.

29 SECTION 4. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take
30 effect on the taking effect of the termination provision specified in Section 10 of Chapter
31 595 of the Acts of the General Assembly of 2024. If that termination provision takes effect,
32 Section 2 of this Act, with no further action required by the General Assembly, shall be

1 abrogated and of no further force and effect. This Act may not be interpreted to have any
2 effect on that termination provision.

3 SECTION 5. AND BE IT FURTHER ENACTED, That, subject to the provisions of
4 Section 4 of this Act, this Act shall take effect October 1, 2026.