

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 702 (Delegate Korman, *et al.*)
Environment and Transportation

Maryland Strategic Energy Investment Fund - Uses - Cooperative Housing Corporations and Condominiums (Co-Op and Condo Energy Refund Equity Act)

This bill – under provisions established under Chapters 625 and 626 of 2025 authorizing refunds or credits to residential (electricity) distribution customers using money from the Strategic Energy Investment Fund (SEIF) – (1) defines “residential distribution customer” to include a member of a cooperative housing corporation and an owner of a condominium unit and (2) establishes the manner in which refunds or credits are distributed to those members and owners. The bill also requires that members of cooperative housing corporations and owners of condominium units who did not receive the refund or credit distributed to residential distribution customers in fiscal 2026, under Chapters 625 and 626, be provided the refund or credit in fiscal 2027 (in addition to any refund or credit made to residential distribution customers in fiscal 2027). **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund expenditures increase by an indeterminate amount in FY 2027 only, as discussed below. Under one (illustrative) scenario, special fund expenditures increase by \$5.0 million in FY 2027. Revenues are not affected.

Local Effect: Local governments – including municipal electric utilities – are affected, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Cooperative Housing Members and Condominium Unit Owners Included Under Provisions Authorizing Refund or Credit

The bill modifies provisions enacted under Chapters 625 and 626 that authorize use of alternative compliance payment (ACP) revenues in SEIF to provide grants to electric companies to be refunded or credited to residential distribution customers. (ACPs are paid by utilities under the State's Renewable Energy Portfolio Standard (RPS).) The bill modifies the provisions by (1) defining "residential distribution customer" to include a member of a cooperative housing corporation and an owner of a condominium unit and (2) establishing the manner in which a refund or credit is distributed to a residential distribution customer who is a member of a cooperative housing corporation or a unit owner of a condominium. For those customers, an electric company must issue a refund or credit to the governing body of the cooperative housing corporation or the board of directors of the condominium, which then distributes the refund or credit to members of the cooperative housing corporation or unit owners of the condominium.

Required Refund or Credit Equal to Missed Fiscal 2026 Refund/Credit

The bill also – separately, in uncodified language – requires that ACP revenues in SEIF be used to provide grant awards to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited – in fiscal 2027 – to residential distribution customers who (1) are members of cooperative housing corporations or unit owners of condominiums and (2) did not receive the refund or credit required in fiscal 2026 under Chapters 625 and 626. The refunds or credits must be in amounts per residential distribution customer calculated in the same manner as a distribution would have been calculated in fiscal 2026. Half of the amount must be refunded or credited during a peak summer month and half must be refunded or credited during a peak winter month.

The Governor may transfer the funds to the Public Service Commission (PSC) by budget amendment to be awarded to the electric companies. The refunds or credits are in addition to refunds or credits made to members of cooperative housing corporations or unit owners of condominiums in fiscal 2027 as part of refunds or credits made to all residential distribution customers under the authorization described above.

The refunds or credits must be issued in the same manner as described above – to the governing body of the cooperative housing corporation or the board of directors of the condominium, which then distributes the refund or credit to members of the cooperative housing corporation or unit owners of the condominium.

An electric company awarded a grant (1) may not retain any of the grant funds to cover overhead expenses and (2) must provide all of the grant funds to residential distribution customers. The process related to the refunding or crediting of amounts must be directed and overseen by PSC.

Current Law:

Authorization for Refund or Credit for Residential Distribution Customers

Chapters 625 and 626 enacted – within codified statutory provisions that govern the use of funding paid into SEIF – the provisions modified by the bill that authorize the use of ACP revenues in SEIF to provide grants to electric companies to be refunded or credited to each residential distribution customer based on the customer’s consumption of electricity supply that is subject to the RPS. The refunding or crediting of amounts to residential distribution customers must be identified on the customer’s bill as a line item identified as a “legislative energy relief refund.”

An electric company awarded a grant (1) may not retain any of the grant funds to cover overhead expenses and (2) must provide all of the grant funds to residential distribution customers. The process related to the refunding or crediting of amounts to residential distribution customers must be directed and overseen by PSC.

Required Refund or Credit in Fiscal 2026

Chapters 625 and 626 also – separately, in uncodified language – *required* that ACP revenues in SEIF be used to provide grant awards to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026. The funds were required to be distributed (1) in accordance with the codified provisions of Chapters 625 and 626 authorizing similar refunds or credits (described above) and (2) twice during fiscal 2026 (with half refunded or credited during a peak summer month and half refunded or credited during a peak winter month).

The fiscal 2026 budget bill (Chapter 602 of 2025) correspondingly – and contingent on enactment of Senate Bill 937 or House Bill 1035 (both enacted, as Chapters 625 and 626) – authorized the Governor to transfer by budget amendment up to \$200.0 million from ACP revenues in SEIF to PSC to be awarded to electric companies, including electric cooperatives and municipal electric utilities, to be refunded or credited to residential distribution customers for electric service in fiscal 2026.

Strategic Energy Investment Fund

SEIF's primary sources of revenue are the ACP revenues generated under Maryland's RPS and proceeds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas initiative. Under the RPS, electric companies (utilities) and other electricity suppliers must submit renewable energy credits equal to a percentage of their retail electricity sales specified in statute each year or else pay an ACP equivalent to their shortfall. The ACP revenues paid into SEIF are used for (1) several efforts that fund renewable and clean energy deployment; (2) administrative expenses of the Maryland Energy Administration, which administers SEIF; and (3) the refunds or credits to residential distribution customers authorized under Chapters 625 and 626.

State Expenditures:

Fiscal 2027 – Required Refund or Credit Equal to Missed Fiscal 2026 Refund/Credit

Special Fund Expenditures Increase

Special fund (SEIF) expenditures increase by an indeterminate amount in fiscal 2027 only, due to the bill's requirement that a refund or credit be distributed to members of cooperative housing corporations and owners of condominium units who did not receive the distribution of refunds or credits to residential distribution customers in fiscal 2026. PSC can handle administration of the funding (awarding it to the electric companies) with existing staff, but special fund expenditures increase to provide the funding for the refunds and credits themselves. As described below, under one (illustrative) scenario, \$5.0 million is needed to fund the credits. See the Additional Comments regarding complexity utilities may encounter in distributing the refunds or credits.

Potential for Redirection of Expenditures

This analysis reflects the State fiscal impact of the bill as an increase in special fund expenditures to account for the funding obligation the bill places on SEIF (specifically the ACP revenues in SEIF) in fiscal 2027. However, there are limited ACP revenues in SEIF that are available in fiscal 2027. Spending of SEIF ACP funding under the fiscal 2027 budget as introduced (with certain appropriations contingent on enactment of other legislation) is estimated to leave only \$242,830 in SEIF ACP funding remaining at the end of fiscal 2027. Therefore, any significant amount of funding spent under this bill appears likely to occur largely through redirection of SEIF expenditures away from other planned uses rather than a net increase in SEIF expenditures.

Magnitude of the Increase or Redirection Cannot Be Reliably Estimated

The extent to which special fund expenditures increase (or are redirected) cannot be reliably estimated because it is not known how many members of cooperative housing corporations and owners of condominium units did not receive a refund or credit in fiscal 2026. PSC indicates that if a member of a cooperative housing corporation or an owner of a condominium unit did not receive a credit in fiscal 2026, it is likely because they do not have a direct account with their utility on a residential rate tariff (*e.g.*, they are under a master-metered account that includes their and other members'/owners' electricity usage). PSC indicates that it requested that utilities explore the feasibility of providing fiscal 2026 refunds or credits to master-metered customers, but PSC technical staff concluded that most utilities would not be able to do so because those customers do not have accounts directly with utilities and the master-metered accounts may be considered commercial electricity usage.

Illustrative Example

The bill requires that the amount of the refund or credit distributed to members of cooperative housing corporations and owners of condominium units be calculated in the same manner as a distribution would have been calculated in fiscal 2026 for those customers. Pursuant to Chapters 625 and 626, and the fiscal 2026 budget bill (Chapter 602), \$200.0 million has been (or is being) refunded or credited to customers in two rounds, in calendar 2025 and 2026, respectively.

For illustrative purposes only, if it is assumed that the members of cooperative housing corporations and owners of condominium units that are not receiving the refunds or credits in fiscal 2026 would have consisted of 2.5% of all residential distribution customers receiving refunds or credits (if they had been included), \$5.0 million (2.5% of \$200.0 million) is needed to fund, in fiscal 2027, the refunds or credits to those customers who are missing the fiscal 2026 distribution. The assumption of 2.5%, used for this *illustrative* example, is informed by U.S. Census Bureau (American Community Survey) occupied housing unit data, and State Department of Assessments and Taxation data on assessable real property accounts broken out by land use codes (which include a condominium land use code); however:

- that data does not provide a definitive total number of condominium units and housing units within cooperative housing corporations; and
- there is likely some portion – that cannot be reliably determined – of condominium units and housing units within cooperative housing corporations that have a direct residential account with their utility and therefore are not missing the refund or credit in fiscal 2026 and are not eligible for the compensatory refund or credit under the bill.

Fiscal 2027 and Future Years – Cooperative Housing Members and Condominium Unit Owners Included Under Provisions Authorizing Refund or Credit

The bill's modification of the codified provisions enacted under Chapters 625 or 626 that authorize the use of ACP revenues in SEIF for refunds or credits to residential distribution customers is not expected to affect State finances. It is assumed that adding members of cooperative housing corporations and owners of condominium units to the overall number of residential distribution customers that receive a refund or credit only increases the number of customers among whom an appropriation for the refunds or credits is divided and distributed and does not affect the amount of the appropriation.

For informational purposes, the fiscal 2027 budget as introduced includes \$100.0 million in SEIF special funds for PSC to award to electric companies to be refunded or credited to residential distribution customers in fiscal 2027, contingent on the enactment of other legislation.

Local Fiscal Effect: The bill has the following local government impacts:

- The State's five municipal electric utilities, like other electric companies, must distribute the refunds or credits to members of cooperative housing corporations and owners of condominium units using the grants awarded by PSC. Pursuant to existing law and the bill, electric companies may not retain any of the grant funds to cover overhead expenses. See the Additional Comments regarding complexity utilities may encounter in implementing the bill. The five municipal electric utilities are located in Berlin (Worcester County), Easton (Talbot County), Hagerstown (Washington County), Thurmont (Frederick County), and Williamsport (Washington County).
- To the extent the bill, in fiscal 2027, redirects ACP revenues in SEIF away from planned renewable and clean energy deployment programs or initiatives from which local governments otherwise receive funding, local government revenues and expenditures decrease.

Small Business Effect: Small businesses that provide goods or services for renewable and clean energy deployment or that otherwise benefit from SEIF ACP funding of renewable and clean energy deployment efforts may be meaningfully affected to the extent the bill redirects funding away from those efforts.

Additional Comments: PSC notes that utilities may face complexity in identifying utility accounts that are master-metered and contain cooperative housing corporations or condominiums. PSC is unsure of what information is available to utilities to identify those accounts.

Additional Information

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

Designated Cross File: SB 434 (Senator Love) - Budget and Taxation.

Information Source(s): Department of Budget and Management; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; State Department of Assessments and Taxation; U.S. Census Bureau; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2026
js/sdk

Analysis by: Andrés López Esquerro

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