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DEPARTMENT OF BUDGET AND MANAGEMENT

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Deputy Secretary

HOUSE BILL 419 Economic Development – Advanced Clean Energy and Clean Energy Innovation - Investments and Initiatives (Qi)

STATEMENT OF INFORMATION:

DATE: February 4, 2021

COMMITTEE: House Economic Matters

SUMMARY OF BILL:. HB 419 redirects $2.1 million annually from the Strategic Energy Investment Fund (SEIF) to the Maryland Energy Investment Fund, $1.2 of which is for the purposes of the Maryland Clean Energy Center (MCEC) and $900,000 for the Maryland Energy Innovation Institute (MEII) at the University of Maryland College Park. The MCEC is designated as the State's Green Bank and authorized to enter into financing transactions with or on behalf of state agencies concerning a project on State-owned or State-leased property. Funding may be in any form, but may not pledge the faith and credit of the State. The Department of General Services and Department of Budget (DBM) and Management are to work with MCEC to ensure financing transactions are efficient and cost-effective for the State.

EXPLANATION: MCEC, through the Maryland Energy Innovation Fund, currently receives $1.5 million from the Regional Greenhouse Gas Initiative's (RGGI) auction proceeds. This funding was mandated during the 2017 Session and is scheduled to terminate after FY 2022. MCEC was intended to become self-sustaining when it was statutorily created in 2008, but that has yet to occur. The $2.1 million that is being diverted from SEIF could be utilized by the Maryland Energy Administration (MEA) to expand current clean energy financing programs and provide those services directly.

The Office of the State Treasurer has the ability to obtain low cost borrowing rates as a result of Maryland's AAA bond rating and is the appropriate mechanism for financing Energy Performance Contracts. Entities, such as MEA, the Department of Commerce, and MEDCO already exist to achieve the aims of a large scale lending program, i.e. green bank. The provisions of the legislation provide continued operating funds for MCEC and MEII, but do not create a successful green bank. Green banks use public funds to leverage private investment in clean energy technologies that have struggled to pervade consumer markets and require hundreds of millions of dollars.

DBM does not have the capacity to evaluate MCEC loan transactions, as directed in the legislation. Therefore, DBM respectfully requests that it be removed from the provisions of the bill, if it is to move forward. Likewise, the diversion of $2.1 million in SEIF funding should be removed.

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