



TO: Members, House Economic Matters Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB0152 – Maryland Strategic Energy Investment Fund - Use of Funds and Electric Vehicle Excise Tax Credits
DATE: January 19, 2021

MEA POSITION: FAV

Summary

Issuing subsidies for the incremental expense of zero-emission vehicles (ZEVs) in a time of financial constraints must be backed by significant justification. The Maryland ZEV programs have historically maintained justifiable returns on investment. However, at this time the rate of ZEV adoption in Maryland continues to grow in a linear fashion, and reconstituting these programs would likely reduce the efficacy and reach of existing Maryland Energy Administration (MEA) programs.

MEA notes there remains a significant backlog of qualified applicants for the now defunct ZEV excise tax credit due to oversubscription and limited funding. The proposed legislation will keep Maryland's promise to those qualified applicants who purchased a ZEV while the excise tax credit program was in place (through June 30, 2020). Qualified vehicle buyers who purchased prior to the end of the program will be able to receive the tax credit they expected when purchasing the vehicle.

The funding for this will ultimately be derived from the Strategic Energy Investment Fund (SEIF). However, the credits will be paid immediately via the Transportation Trust Fund (TTF), and then the TTF will be reimbursed by the SEIF over the course of two fiscal years. This will assist MEA in continuing its current stable of programs, including those that promote in-state investment and jobs, as well as those that directly benefit low-to-moderate income residents; both of which are central to economic recovery.

Additionally, the bill modifies the authorized uses of Alternative Compliance Payments (ACP) within the Renewable Portfolio Standard (RPS). The transportation sector is now the #1 contributor to greenhouse gas emissions, but currently solar APC can only be used for additional solar projects. As written, the bill would permit ACP to be used for future transportation programs (such as those that would support the recent Medium and Heavy Duty Vehicle MOU) and to supplement low-to-moderate income energy programs.

For these reasons, MEA urges a **favorable report** for SB 152

Bill Explanation

This proposal has two main functions: 1) to create a funding mechanism to fulfill the backlog of Zero Emission Vehicle (ZEV) excise tax credit (the “Credit”) applications; and 2) to alter the allowable uses of solar Alternative Compliance Payments (ACP) within the Renewable Portfolio Standard (RPS) to be used for both future transportation programs and low-to-moderate income programs within MEA

MEA and Maryland Department of Transportation have estimated that there is approximately \$7M in backlogged applications for the “Credit” that would have been paid, but for the lack of funding. MEA is proposing that the Transportation Trust Fund be used to fulfill that backlog, and that MEA replenish the exact dollar amount expended on the “Credit” over the course of two fiscal years.

This bill will *not* reconstitute the “Credit” via statutory mandate. However, even without a statutory mandate, MEA has continued to operate the Electric Vehicle Supply Equipment (EVSE) rebate program that was often associated with “clean cars”.

Bill Justification

The transportation sector has surpassed energy generation as the #1 contributor to greenhouse gas emissions. Maryland has historically taken several measures to combat this challenge head on.

The economic constraints realized under COVID-19 require that difficult decisions be made, and reconstituting the “Credit” would likely reduce the efficacy and reach of existing MEA programs. This bill demonstrates that MEA is prioritizing programs that spur homegrown jobs, and that directly benefit a greater swath of Marylanders.

Though it turns the page on previous State transportation programs, the changes to eligible uses of ACP create an opportunity for future, flexible and targeted transportation programs. Specifically, these programs could be used to target busses and other Medium and Heavy Duty vehicles. This would be in keeping with State policy, as Maryland has joined 14 other states and the District of Columbia in signing the Multi-State Medium- and Heavy-Duty (MHD) ZEV Memorandum of Understanding¹.

The lapse in the “Credit” could be called a casualty of the 2020 Legislative Session. Unfortunately, it also meant a broken promise for Marylanders who were anticipating, even relying upon, the “Credit”. This bill will keep Maryland’s promise to its consumers, and open up the possibility for future transportation programs within MEA that will continue to grow the ZEVs and address transportation sector impacts upon climate change.

¹ <https://news.maryland.gov/mde/2020/07/14/hogan-administration-joins-multi-state-clean-truck-initiative/>