SB0152 - FAV - MEA Departmental.pdf

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Position: FAV

Maryland Energy Administration

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

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 Understanding[1].

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/

MTBMA MAA Testimony SB152 FINAL_MS_GMK.pdf
Uploaded by: Evans, Hayley
Position: FWA

MARYLAND TRANSPORTATION BUILDERS AND MATERIALS ASSOCIATION

MARYLAND ASPHALT ASSOCIATION

SINCE 1954

Senator Delores G. Kelley, Chair
Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

FAV W/AMD

January 14, 2021

RE: SB 152-FAV W/AMD- Maryland Strategic Energy Investment Fund – Use of Funds and Electric Vehicle Excise Tax Credits

Dear Chairman Kelley and Members of Senate Finance Committee:

The Maryland Transportation Builders and Materials Association ("MTBMA") and the Maryland Asphalt Association ("MAA") collectively represent tens of thousands of Marylanders who operate in the areas of transportation construction, production and engineering. Together, for nearly 100 years these organizations have served as the voice of the transportation construction industry. The mission of both MTBMA and MAA is to encourage, develop, and protect the prestige of the transportation construction and materials industry in Maryland by establishing and maintaining respected relationships with federal, state, and local public officials. We proactively work with regulatory agencies and governing bodies to represent the interests of the transportation industry, and also advocate for adequate state and federal funding for Maryland's multimodal transportation system.

While we appreciate the foundations of SB 152 we would also suggest an amendment to this bill. Our industry supports the initiatives made by the sponsor to encourage the use of zero-emission vehicles and zero-emission vehicle infrastructure programs. However, at a time when our broader transportation industry is suffering greatly from the ravages of the reduction in funding from the gas tax proceeds, as well as the effects of COVID-19 we would suggest that any funding dedicated to this program not be taken from the Transportation Trust Fund. The needs of our members and our industry are great, and we as a State cannot afford to further reduce the inadequate resources we currently have. The transportation infrastructure across Maryland, which is the lifeblood of our economy, is critically underfunded and this bill would exacerbate those losses.

We thank you for your time and consideration of this bill and ask that if you pass SB 152 it is with the amendments we have advocated.

Sincerely,

Michael Sakata
President & CEO, MTBMA

Marshall Klinefelter
President, MAA

SB152 CHESSA Amend.pdf

Uploaded by: Murray, David

Position: FWA

Before the General Assembly of the State of Maryland
Senate Finance Committee
January 19, 2021

Testimony of David W. Murray
Executive Director
Chesapeake Solar & Storage Association
Maryland Strategic Energy Investment Fund – Use of Funds and Electric Vehicle Excise Tax Credits
FAVORABLE WITH AMENDMENTS

Thank you for the opportunity to provide testimony on SB 152. I serve as Executive Director of the Chesapeake Solar & Storage Association, CHESSA, formerly known as the Maryland-DC-Virginia Solar Energy Industries Association (MDV-SEIA). CHESSA is the local trade association representing over 4,500 solar installers, developers, manufacturers, and other solar workers in Maryland. It is the recognized state affiliate of the Solar Energy Industries Association.

SB 152 substantially amends the Clean Energy Jobs Act of 2019 by reallocating funds designated for low-income solar projects to a variety of other uses. MEA is proposing to expand income eligibility of SACPs, reallocate them to transportation electrification without income restrictions on beneficiaries, and enable SACPs to be allocated to all Tier 1 renewable resources, energy storage, and efficiency measures. CHESSA opposes efforts to reallocate these funds into other programs – such as electric vehicle rebates -- but agrees with the provisions that may enable MEA to build a robust solar equity program that supports both low and moderate income Marylanders.

The solar carveout within Clean Energy Jobs Act was deliberately designed to balance Solar Renewable Energy Credits (SRECs) and Solar Alternative Compliance Payments (SACPs) to bolster the state's demand for local solar power, and ensure low-income Marylanders had robust opportunities to receive the benefits of the growing solar economy. In this manner, the solar RPS works as a negative feedback loop. Should solar deployment lag far behind the solar carveout, a greater number of SACPs are paid by suppliers. These funds are used exclusively for solar projects that are owned by or directly benefit low-income Marylanders. Without these grants or loans, many low income Marylanders would not be able to access the benefits of solar energy. Thus, SACPs directly address solar under-deployment and ensure that equity is an essential component to the state's energy transition.

CHESSA agrees with MEA's proposal that 50% of compliance fees should remain exclusive for low income households, but the other 50% may be expanded to serve "low to moderate income" households. Based on our members' experience, many moderate income households remain in the "missing middle" of the solar economy. They may earn a salary high enough to disqualify them from the LMI community solar program, but may not have the cash to pay for or place a down payment on a loan for a solar project. Moreover, because the overall solar economic

CHESSA

savings is one of the lowest in the Mid-Atlantic/Northeast, the savings one would see with a lease or power purchase agreement may not be enough to encourage them to move forward with a solar project for their home. By expanding eligibility to moderate income individuals, the Maryland Energy Administration will be empowered to design programs -- such as rebates for using power purchase agreements -- that reach this segment of the population and help them lower their overall electric bills while providing clean energy.

We suggest the legislation borrow language from the Clean Energy Equity Act (SB 2484) in New Jersey, whereby the term "overburdened community" is used to address equity goals of the state. Legislators defined "Overburdened community" as any census block group, as determined in accordance with the most recent United States Census, in which (1) at least 35 percent of the households qualify as low-income households; (2) at least 40 percent of the residents identify as minority or as members of a State recognized tribal community; or (3) at least 40 percent of the households have limited English proficiency. This would give the Maryland Energy Administration additional flexibility in serving the equity goals of the Clean Energy Jobs Act.

However, CHESSA opposes efforts to reallocate any of these funds to electric vehicles without regard for income. By broadening the use of SACPs to electric vehicles, we not only shirk on one of the equity components of CEJA, but lose a critical mechanism to further solar deployment in the Clean Energy Jobs Act. Clean transportation, while an important goal of the state, does not spur additional solar deployment or help low to moderate income families access the benefits of solar power. This provision also does not contain an equity component; CHESSA's reading of the proposed text suggests these funds could support credits and rebates for expensive electric vehicles.

We also disagree that compliance fees raised from the solar carveout should be allocated to other unrelated Tier 1 renewable resources. By releasing SACP funds to deploy other energy resources, we unravel another central premise of Maryland's ambitious solar carveout. That said, we support an effort to add clarifying language to enable installers and developers to better reach underserved communities in Maryland by broadening eligible solar projects to include related measures.

Thus, CHESSA proposes the Senate Finance Committee amend page 2 of SB 152 in the following manner:

1. Do not delete lines 6-9, but instead amend line 8-9 to "to make loans and grants to support the creation of new Tier 1 renewable energy sources, ENERGY EFFICIENCY MEASURES, and ENERGY STORAGE in the State that are owned by or directly benefit OVERBURDENED COMMUNITIES AND low– TO MODERATE–income residents of the State".

2. Strike lines 10-13, which enable SACP funds to be directed toward clean transportation.

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3. Strike lines 14-18.

4. Keep lines 19-22, amending line 22 to “owned by or directly benefit OVERBURDENED COMMUNITIES AND low– TO MODERATE–income residents of the State. GRANTS AND LOANS MAY SUPPORT POWER PURCHASE AGREEMENTS, CONSUMER EDUCATION, OR ENERGY EFFICIENCY MEASURES AND OTHER PROJECTS THAT ENABLE SOLAR DEPLOYMENT, SUCH AS A ROOF REPLACEMENT OR REPAIR, ENERGY STORAGE, ELECTRIC VEHICLE CHARGING EQUIPMENT, OR ELECTRICAL UPGRADE.”

Thank you for your consideration.

Sincerely,

David Murray
Executive Director
Chesapeake Solar & Storage Association (CHESSA, formerly MDV-SEIA)

SB152 - MD SEIF–Use of Funds & EV Excise Tax Credi
Uploaded by: Tulkin, Josh
Position: FWA

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Committee: Finance

Testimony on: SB152 "Maryland Strategic Energy Investment Fund – Use of Funds and Electric Vehicle Excise Tax Credits'

Position: Support with Amendments

Hearing Date: January 19, 2021

The Sierra Club respectfully requests a "support with amendments" report on SB152.

Background

This legislation would make significant changes to the allowable uses of moneys contained in the Maryland Strategic Energy Investment Fund (SEIF). SEIF is a critical tool to help finance many of Maryland's climate action programs. SEIF is sourced from a variety of programs, including auction revenues from the Regional Greenhouse Gas Initiative (RGGI), and Alternative Compliance Payments (ACPs) from the Renewable Portfolio Standard (RPS). The moneys included in, and expected in the future to be included in, SEIF have been and are growing substantially.

This growth in SEIF is now reflected in several bills before the General Assembly this session that would require or allow SEIF moneys to be spent on new climate-related programs. Prominently, this includes SB148, which would set a firm timetable for transitioning Maryland off of climate-destructive coal-powered electricity plants, and would establish the Fossil Fuel Community Transition Fund to support impacted workers and communities; the transition fund would gain its initial moneys from SEIF dollars. SB148 is a Sierra Club priority this session.

We agree that SEIF reform should occur this session. In order to do that, we believe that the Committee needs to undertake a review that includes all the bills that propose to expand the permissible uses of SEIF moneys, with special consideration for SB148. The proposed changes within SB152, accordingly, should be considered in that context.

What SB152 Proposes to Change

SB152 specifically addresses the permissible uses of SEIF dollars sourced from ACPs. Currently, this money only may be used "to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit low–income residents of the State," and, as to a certain subset of ACPs-sourced SEIF dollars, "to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit low-income residents of the State."

This legislation would expand the uses of ACPs-sourced SEIF dollars as follows:

- First, these loans and grants could benefit low-to-moderate income state residents, i.e. would no longer be focused solely on low income residents; however, the bill specifies that at least 50% of the loans and grants should benefit low income residents. In addition, the acceptable uses of these loans

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and grants would be "energy efficiency measures, solar renewables, energy storage, and other Tier 1 renewables."
- Second, the legislation would allow SEIF ACPs dollars to be used "for zero-emission vehicles, zero-emission vehicle infrastructure programs, and other transportation sector greenhouse gas reduction and carbon reduction efforts."

Discussion

SEIF, including funds from ACPs and funds from other sources, should be reformed to establish initial fossil fuel worker and community transition programs.

The Sierra Club strongly believes that the General Assembly should ensure that SEIF funds are used, in part, for new worker and community programs like those proposed in SB148. We request that the Committee consider the reforms proposed in SB152 alongside those in other relevant bills – including but not limited to SB148 – to ensure that the SEIF is funding both climate action and fossil fuel workforce and community transition programs.

SB152 should be amended to ensure that ACPs are not used to incentivize or subsidize the installation of new fossil fuel equipment in Maryland households or buildings and, instead, may be used to incentivize the retrofit of building systems off of direct fossil-fuel combustion appliances to efficient electric alternatives.

The bill proposes that ACPs be eligible for energy efficiency projects; however, the installation of new fossil-fuel powered space and water-heating systems will continue to lock in decades of climate-harming fossil fuel consumption. Lines 14-18 on page 2 of the bill should be amended to read as follows (in relevant part):

> (II) . . . TO MAKE ENERGY–RELATED LOANS AND GRANTS, INCLUDING SUPPORT FOR <u>ELECTRIC</u> ENERGY EFFICIENCY MEASURES, <u>ELECTRIFICATION MEASURES,</u> SOLAR RENEWABLES, ENERGY STORAGE, AND OTHER TIER 1 RENEWABLES . . . .

The bill should further include a definition of "electrification": "converting building systems that use fossil fuels (coal, gas, oil, or propane) to high-efficiency, electric equipment that can be powered by increasingly clean and renewable electricity."

SB152 should be amended to require robust reporting on the success of the programs that receive ACPs funds.

The Maryland Energy Administration should provide robust annual reports to the public and the General Assembly on the details and successes of the low-income climate action programs that are funded by ACPs. Specifically, the reporting data should include information on the investments made by zip code or county, demographic information of households or businesses benefitting from the programs, and information and review of the public outreach and marketing programs used to advertise to low income and moderate income residents.

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Conclusion

We appreciate the Maryland Energy Administration's continued administration of the SEIF resources in ways that achieve Maryland's clean energy and climate action laws. We respectfully request the Committee to work with the MEA and other stakeholders on SB152 and other legislation this session to ensure the SEIF supports climate action, helps establish new workforce and community fossil fuel transition programs, and ensures equitable distribution of benefits and investments to low-income Marylanders.

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Founded in 1892, the Sierra Club is America's oldest and largest grassroots environmental organization. The Maryland Chapter has over 75,000 members and supporters, and the Sierra Club nationwide has over 800,000 members and nearly four million supporters.

MAPDA SB152
Uploaded by: Valentino, Ellen
Position: UNF

Mid-Atlantic Petroleum Distributors Association
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To: Senate Finance Committee

From: Ellen Valentino
On behalf of MAPDA

Date: January 19, 2021

RE: SB 152 SEIF – Use of Funds and Electric Vehicle Excise Tax Credits
Strike in full Section 2

MAPDA opposes tax credits to individuals for the purchase of new electric vehicles. This bill would provide a tax credit for a qualifying vehicle up to $63,000.

MEA and this legislation appears misplaced during a time when state spending and tax credits should be focused on those most in need. Affluent, environmentally conscious consumers are more likely to purchase an electric vehicle regardless of the subsidy. Maryland's own data shows that the tax credit has benefitted an extremely narrow demographic that includes individuals making over $100,000.

We believe a redirection of these funds would be better put to use for the purpose of assisting individuals in need of car repairs as a result of a failing VEIP test.