TO: Members, House Environment & Transportation Committee
FROM: Paul Pinsky Director, MEA
SUBJECT: HB 310 - Environment and Energy - Investment in Communities With Low- to Moderate-Income Households
DATE: February 15, 2023

MEA Position: Letter of Information

House Bill 310 Environment and Energy - Investment in Communities With Low- to Moderate-Income Households aims to modify the expenditures of the Strategic Energy Investment Fund (SEIF), requiring that certain percentages of expenditures be made to benefit certain target populations. The Maryland Energy Administration (MEA) *strongly supports* efforts to ensure significant investments flow to low to moderate-income communities.

MEA administers the Strategic Energy Investment Fund (SEIF). The purpose of the SEIF is to "decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy to fuel Maryland's future prosperity." The bill will require that funds appropriated to certain MEA budget codes (D13A13.02, D13A13.06, D13A13.07, and D13A13.08) will be subjected to policies developed by MDE; this changes substantially which State agency administers the SEIF.

MEA's role as administrator of the SEIF would be significantly altered by the bill

MEA's greatest statutory responsibility is its role as administrator of the SEIF. MEA's staffing, organizational structure, and programming have all been focused on this singular mission for years. The bill, as written, would transfer a significant portion of control and planning authority to the Maryland Department of the Environment (MDE). While MEA and MDE work closely on numerous energy and environmental issues and initiatives, they have historically done so successfully via collaboration and cooperation.

MEA prioritizes revenue allocation because it is more efficient

Currently, **MEA already separates its funding for various purposes by *allocating revenue* for those purposes, rather than addressing the prioritization/segmentation on an annual spending basis**. MEA gains significant efficiency benefits by assigning a certain percentage of funds for a particular purpose (based on revenue source); creating certainty that ultimately the revenue-based approach will produce expenditures equivalent in percentage to what the General Assembly has prioritized without the need to verify spending year over year.

The SEIF already prioritizes low- to moderate-income Marylanders

The largest revenue streams contributing to the SIEF in FY22 were the Regional

Greenhouse Gas Initiative (RGGI) auctions, and Alternative Compliance Payments (ACP) within the Renewable Portfolio Standard. To meet its purpose, the SEIF is segmented, by statute, into different permissible uses, and at specific, minimum funding levels (as a percentage of revenue, based on revenue source). **Approximately 74% of SEIF (derived from RGGI and ACP) is already committed to low-to-moderate income (LMI) programs**. This includes utility bill payment assistance, low-income solar programing, and the low-to-moderate income energy efficiency program.

This bill would create duplicative measures, possibly sacrificing the efficacy of programs

Because the bill does not remove the allocation/funding mechanism currently used to ensure adequate concentration for low-to-moderate (LMI) programming, **MEA would be forced to continue to manage the allocation that dedicates funding for LMI programming (currently well over 60%) and also manage each program's expenditures within any given fiscal year for at least 40% compliance within each program** (as outlined in the bill). Measuring expenditures year over year poses an additional challenge, in that program awards are typically measured in encumbrances rather than expenditures that, depending on the program, may come as late as two fiscal years in the future.

Additionally, certain programs within MEA, such as the statutory Jane E. Lawton Energy Efficiency Loan Program, are targeted to businesses, non-profits, and units of government. It is unlikely this program, and others, could continue in any meaningful manner under the confines of this legislation.

Lastly, MEA would require additional human resources to track program expenditures on this level.

The Maryland Energy Administration requests that the Committee consider the forgoing prior to rendering its report.