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Budget and Taxation Committee

Subcommittees

Capital Budget

Pensions

Chair, Public Safety,
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Joint Committee on the Chesapeake and
Atlantic Coastal Bays Critical Area

Chair, Joint Subcommittee on
Program Open Space/Agricultural
Land Preservation

February 29, 2024

Testimony in Favor of SB 783
The Brighter Tomorrow Act

Chairman Feldman, Vice-Chair Kagan, and members of the Education, Energy, and the Environment Committee,

I respectfully request a favorable report of Senate Bill 783 to ensure that Maryland moves toward achieving our renewable energy goals by effectively incentivizing solar development in high-priority, high-impact, yet hard-to-build settings. The problem we seek to solve: Maryland is on pace to meet only half of our solar energy goals by 2030. Our solution: the Brighter Tomorrow Act will strategically incentivize harder-to-build projects on commercial rooftop and parking canopy, produce more energy for low and moderate income Marylanders, tilt incentives back to projects in the built environment, and ensures that we can both meet our critical energy goals AND support family-sustaining jobs. Our consensus-based approach to drafting this bill, including the forthcoming consensus amendments, has ensured that we have a broad-base of support across the stakeholders.

In 2023, this General Assembly passed SB 469 which established a Task Force to study solar incentives, and I was proud to serve, along with Senator Brooks, on this Task Force and engage in its work throughout the interim. The dedicated work of the Task Force and the diverse perspectives of State agencies, legislators, local governments, the solar industry, organized labor, and advocates resulted in a list of recommendations¹ upon which SB 783, the Brighter Tomorrow Act, is based.

Solar energy has proven to be effective, efficient, and environmentally impactful. Research shows that solar produces no pollution upon installation², reduces the stress on power grids and prevents power loss³, and provides green jobs within communities⁴. The environmental and economic benefits are long-lasting with immediate positive impacts on communities.

Maryland has made a strong commitment to expanding and prioritizing clean energy, with significant goals set for the next decade. The Clean Energy Jobs Act of 2019⁵ set the statewide goal of 50% of Maryland's energy to be

¹ <https://energy.maryland.gov/Pages/SolarTaskForce.aspx>

² <https://www.nachi.org/advantages-solar-energy.htm>

³ <https://www.globalsolarcouncil.org/solar-energy-and-its-countless-benefits-for-the-power-grid/>

⁴ <https://www.greenbiz.com/article/renewable-energy-transition-creating-green-jobs-boom>

⁵ https://mgaleg.maryland.gov/2019RS/Chapters_noln/CH_757_sb0516e.pdf

derived from renewable energy sources, 14.5% of which is to be specifically solar. Governor Wes Moore expanded on this goal in April of 2023 by committing to Maryland achieving 100% clean energy by 2035⁶. These State efforts are in alignment with Federal initiatives to prioritize and incentivize clean energy nationwide, striving toward 50% of all energy in the United States derived from clean energy sources by 2050.⁷

These ambitious goals are achievable only through innovative action to effectively incentivize community, commercial, and residential solar development. The Brighter Tomorrow Act innovates the incentive structure for solar energy in Maryland by establishing an SREC multiplier, raising the Aggregate Net Meter cap, restructuring personal property tax to a payment in lieu of taxes structure for qualified projects, and codifying prevailing wage in the solar industry.

SB 783 establishes an SREC multiplier to jumpstart new, targeted, and harder-to-build projects. Solar Renewable Energy Credits (SRECs) are performance-based financial incentives which allow for solar energy produced from qualifying projects to count toward the Renewable Portfolio Standards (RPS) requirements for renewable energy⁸. SRECs are bought and sold among the market, and their value fluctuates based on supply, demand, and Alternative Compliance Payments (ACPs). SB 783 establishes an SREC multiplier structure which provides enhanced incentives by multiplying SREC credits, for projects on preferred sites, including commercial rooftop sites and parking canopies. This will promote development of solar projects on existing infrastructure to reduce construction timelines and protect soil from potential disturbance. It is important to note that, based on CEJA, the ACPs are set to step-down in value beginning next year, making it difficult for solar developers and investors to fund and build these harder-to-build projects.

The SREC multiplier is intentionally structured as a “bridge multiplier”, meaning that it would be in effect only for projects that begin construction within the designated three year period, during which time a more permanent SREC enhancement will be studied and considered by the Maryland Energy Administration. The program would be limited only to projects that begin generating electricity before January 1, 2028 and would support harder-to-finance smaller projects. It also includes a cap in order to prevent any flooding of the market. Forthcoming consensus amendments, negotiated with the Maryland Energy Association, will further narrow the scope of the multiplier to meet the crisis of the moment.

SB 783 restructures personal property tax to a payment in lieu of taxes structure for qualified projects. Currently, the personal property tax rates and application varies throughout the State, resulting in inconsistency and confusion. The solar industry uplifted this issue to the Task Force and expressed interest in finding a streamlined method Statewide. Based upon the Task Force recommendations and in partnership with the Maryland Association of Counties (MACo), the bill extends the sunset for the existing personal property tax exemption for community solar to 2030, eliminates personal property tax on commercial rooftop and parking canopy, and allows jurisdictions the option to provide additional incentives to lower the tax burden on parking canopy projects. In place of these varying separate taxes, developers would be responsible for one Payment In Lieu Of Taxes (PILOT) at a rate of \$2500 per MW generated. This would provide consistency across the State and undoubtedly lead to more interest in developing solar projects in Maryland.

SB 783 extends the current tax incentives for projects providing energy to predominantly low and moderate income households. The current exemption was enacted by legislation in 2022 to make possible projects that are harder to finance and build: small projects serving predominantly low and moderate income households located on already developed land or using agrivoltaics. Based on the Task Force recommendations, the Brighter Tomorrow Act will extend the exemption’s sunset to 2030 and allow for more projects to be built that benefit LMI households.

⁶ <https://www.cbsnews.com/baltimore/news/governor-moore-announces-maryland-commitment-100-clean-energy-by-2035/>

⁷ <https://www.eia.gov/todayinenergy/detail.php?id=46676>

⁸ <https://www.energysage.com/solar/sreecs/>

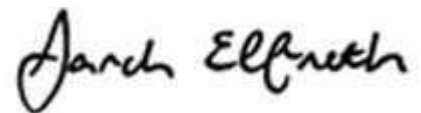
SB 783 raises the Aggregate Net Meter cap. Net Metering is a process by which solar users tied to an electrical grid may sell excess energy produced back to utilities in exchange for a credit which may be applied to their electricity bills. Net Metering is aggregated when a large-scale solar system is designed as a combination of several smaller systems on the same property, improving overall efficiency⁹. This has a particularly positive impact on non-profit, government, and agricultural entities which may have multiple solar systems on different rate plans throughout one property. Implementing Aggregate Net Metering (ANEM) means that the solar systems on the same property are considered as one large system and allows the farmer to sell excess energy generated to utilities in exchange for an electric bill credit. SB 783 raises the cap for ANEM projects from 2MW to 5MW of production, broadening the scope of allowable excess energy to be utilized to resource electrical systems throughout Maryland.

SB 783 codifies a prevailing wage requirement for solar projects. The community solar permanent program currently includes a requirement for a prevailing wage for solar projects over 1MW. The Brighter Tomorrow Act, with the forthcoming consensus amendments, codifies this language and applies it to all solar projects in the State, bringing Maryland code up to Federal labor standards. This ensures that we can both meet our critical energy goals AND support family-sustaining jobs.

Maryland is proud to be a leader in clean, renewable energy. Senate Bill 783, with the forthcoming consensus amendments, is the result of intense collaboration among State agencies, legislators, local governments, the solar industry, organized labor, and solar advocates and represents an innovative investment in Maryland's ambitious clean energy goals. The collective decision to focus the bill on community and residential solar projects is intentional in an effort to expand renewable energy opportunities to low and moderate income communities while utilizing existing infrastructure to rapidly expand solar production and limiting ratepayer impact. SB 783 establishes continuity, broadens opportunity, and elevates our State's large-scale impact.

I urge a favorable report on Senate Bill 783.

Sincerely,

A handwritten signature in black ink that reads "Sarah Elfreth". The signature is written in a cursive, flowing style.

Senator Sarah Elfreth
District 30

⁹ <https://coldwellsolar.com/commercial-solar-blog/net-metering-aggregation-matters/>