
WRITTEN TESTIMONY IN SUPPORT OF SB0223

Maryland Energy Administration - Jane E. Lawton Conservation Loan Program and Maryland Clean Energy Center

Submitted to:

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Submitted by:

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Position: FAVORABLE (SUPPORT)

SUMMARY

I respectfully submit this testimony in *strong support of* SB0223—the Senate companion to HB0245—which transfers oversight of the Jane E. Lawton Conservation Loan Program from the Maryland Energy Administration (MEA) to the Maryland Clean Energy Center (MCEC). With the critical amendments developed collaboratively by MCEC and MEA staff, this bill represents an essential institutional realignment that will significantly improve the program's effectiveness as a revolving clean energy financing tool.

My support is informed by more than three decades of experience in infrastructure financing, public-private partnership design, and capital management—including fourteen years managing complex development projects with the World Bank and Inter-American Development Bank. I have directly observed how institutional design determines whether financing programs achieve their potential or remain constrained by structural misalignment.

SB0223, with its agreed-upon amendments, addresses precisely such a structural constraint by placing the Lawton Program within an entity designed to manage revolving capital effectively.

PURPOSE AND CONTEXT

The Jane E. Lawton Conservation Loan Program currently represents approximately \$15 million in capital dedicated to financing building energy performance and conservation projects for:—

- *State agencies*
- *Local governments*
- *Nonprofit organizations*
- *Businesses*

This program has evolved from a grant-oriented policy tool into a *financial instrument*—specifically, a revolving loan fund designed to recycle capital over time, amplifying the impact of the initial public investment. However, its effectiveness has been constrained not by lack of demand, but by institutional limitations in its current administrative home.

THE CORE ISSUE: INSTITUTIONAL FIT FOR REVOLVING LOAN FUND OPERATIONS

The Jane E. Lawton Program functions—or should function—as a *statewide green bank-style revolving loan fund*. As such, its effectiveness depends on:—

- **Active capital management:** This involves continuous oversight of loan portfolio performance, repayment schedules, and capital availability.
- **Timely reinvestment of repayments:** Maximizing the value of the program requires recycling returned capital into new loans without administrative delays.
- **Flexible financial structuring:** This means tailoring loan terms, interest rates, and repayment schedules to accommodate the diverse range of institutional borrowers.
- **Long-term portfolio performance optimization:** In other words, implementing subject-matter expertise to manage risk, ensure repayment discipline, and maximize capital velocity.

These are fundamentally *financial management functions*, not policy development or grant administration tasks.

While the Maryland Energy Administration plays a critical role in policy development, program oversight, and grant administration, it is not structurally designed to function as a *capital management or lending entity*. MEA’s organizational mission, staffing, and operational processes are optimized for policy implementation and regulatory oversight—not for the continuous financial operations required of an effective revolving loan fund.

As a result, the Lawton Program’s impact has been constrained by institutional limitations rather than lack of need or market demand. This is not a criticism of MEA—it simply reflects the reality that revolving loan fund management requires a different organizational capability than policy administration.

HOW SB0223 IMPROVES PROGRAM EFFECTIVENESS

Transfer to MCEC

SB0223 places the Lawton Program within MCEC, an entity specifically designed to:—

- **Operate at the intersection of public policy and clean energy finance:** MCEC understands both public-sector objectives and financial market dynamics.

- ***Manage and recycle capital over time:*** MCEC’s organizational structure supports active capital management and portfolio operations.
- ***Coordinate with public, nonprofit, and private-sector participants:*** Revolving loan funds require engagement across diverse institutional contexts—MCEC’s operational model accommodates this complexity.
- ***Function in alignment with green bank best practices:*** MCEC’s quasi-public structure mirrors successful green bank models deployed nationally and internationally.

This transfer aligns ***program function with institutional capability***, creating the structural conditions for the Lawton Program to achieve its full potential as a revolving financing tool.

Importance of the Collaborative Amendment

The amendment developed jointly by MCEC and MEA staff is ***absolutely critical*** to this bill’s effectiveness. It explicitly authorizes MCEC to:—

- ***Hold the Lawton fund.***
- ***Manage and invest the fund*** in accordance with prudent financial practices.
- ***Reinvest repayments*** into new loans without administrative barriers.
- ***Preserve the revolving nature of the capital***—over time.

Without this explicit authority, the program would continue to behave more like a static funding source rather than a scalable financing tool. The amendment removes ambiguity about MCEC’s authority to actively manage the fund, ensuring that returned capital can be efficiently recycled into new loans.

In my experience with multilateral development finance, clear institutional authority over capital management is the single most important determinant of revolving fund success. Ambiguous mandates create risk aversion, administrative delays, and underutilization of available capital—***precisely the problems this amendment prevents.***

WHY THIS MATTERS FOR BUILDING ENERGY PERFORMANCE

From an operational perspective, access to ***well-managed, revolving capital*** is essential for:—

- ***Energy performance contracts:*** Providing bridge financing or gap funding that enables projects to achieve financial close.
- ***Comprehensive building retrofits:*** Financing upfront costs that deliver long-term energy savings.
- ***Electrification and efficiency upgrades:*** Supporting capital-intensive transitions with favorable repayment terms.

- ***Long-lived infrastructure investments:*** Matching loan terms to asset lifespans, making projects financially viable.

When capital can be efficiently recycled, a \$15 million fund can support multiples of that amount in project deployment over time. If the average loan term is 10 years and capital is continuously reinvested, the cumulative project value financed could reach \$30-50 million or more over the fund's operational life—increasing both fiscal and climate returns for the State significantly beyond the initial appropriation.

By contrast, if the fund is managed as a static pool with slow reinvestment cycles, its impact remains constrained to the initial \$15 million capitalization. ***The difference between these outcomes is entirely a function of institutional capacity for active capital management***—which is precisely what SB0223 enables.

RELATIONSHIP TO BROADER STATE ENERGY GOALS

SB0223 complements Maryland's broader clean energy and decarbonization strategy by:—

- ***Improving capital efficiency rather than increasing appropriations:*** This bill maximizes the impact of existing public investment without requiring new funding.
- ***Strengthening the state's clean energy financing infrastructure:*** Maryland benefits from having a robust quasi-public financing entity capable of deploying diverse financial tools.
- ***Supporting public, nonprofit, and private-sector participation:*** The Lawton Program serves diverse institutional borrowers; effective management ensures equitable access.
- ***Reducing transaction friction for building energy projects:*** When financing is reliably available through a well-managed program, project developers and building owners can plan with confidence.

Importantly, ***this bill represents a structural improvement, not a policy expansion.*** It does not change program eligibility, create new mandates, or impose additional regulatory requirements. It simply places an existing financing tool in the institutional home where it can function most effectively.

ALIGNMENT WITH GREEN BANK BEST PRACTICES

Nationally and internationally, the most successful public clean energy financing programs operate through dedicated entities with explicit capital management authority. Examples include:—

- ***Connecticut Green Bank:*** Nation's first green bank, managing revolving funds and leveraging private capital.

- ***New York Green Bank***: Operates within New York State Energy Research and Development Authority (NYSERDA) with clear financial management mandate.
- ***Montgomery County Green Bank (Maryland)***: Local model demonstrating effectiveness of dedicated financing entities.

These institutions share common characteristics:—

- *Organizational structures designed for financial operations*
- *Staff expertise in lending, credit analysis, and portfolio management*
- *Clear legal authority to manage and invest capital*
- *Ability to coordinate with both public policy objectives and market participants*

SB0223 moves Maryland's Lawton Program toward this proven institutional model, positioning it for greater effectiveness and impact.

OPERATIONAL AND FISCAL BENEFITS

This transfer creates several tangible benefits:—

For MCEC:—

- *Expands financing tools available to support Maryland's clean energy goals*
- *Creates synergies with other MCEC programs and services*
- *Strengthens MCEC's role as Maryland's comprehensive clean energy financing platform*

For MEA:—

- *Allows MEA to focus organizational resources on policy development and grant administration—its core competencies*
- *Removes capital management functions that do not align with MEA's organizational mission*
- *Maintains MEA's critical policy leadership role in Maryland's energy strategy*

For Program Beneficiaries—:

- *Faster loan processing and approval through dedicated financial operations capacity*
- *More responsive capital availability as repayments are efficiently recycled*
- *Improved loan product design tailored to diverse institutional needs*

For the State:—

- *Maximizes return on existing public investment through improved capital velocity*
- *Supports climate and energy goals without additional appropriations*
- *Strengthens Maryland's competitive position in clean energy finance*

CONCLUSION AND RECOMMENDATION

With the agreed-upon amendment, SB0223 ensures that the Jane E. Lawton Conservation Loan Program is administered by an entity equipped to manage it as the *revolving* clean energy financing tool *it was intended to be*.

By aligning the program with MCEC's financing mission, the bill:—

- *Increases the long-term impact of existing public capital* through efficient recycling and active management.
- *Improves support for building energy performance projects* across state government, local jurisdictions, nonprofits, and businesses.
- *Strengthens Maryland's clean energy financing ecosystem* by consolidating financing tools within a dedicated, capable institution.
- *Represents sound institutional design* that aligns program function with organizational capability.

Based on my extensive experience with infrastructure financing and revolving fund management in both multilateral development contexts and private-sector environments, I can attest that SB0223 addresses a genuine structural constraint. This is precisely the type of institutional realignment that unlocks latent program potential.

I respectfully urge the Committee to *report SB0223 favorably* with the agreed-upon amendments and support its advancement.

Thank you for the opportunity to provide this testimony. I am available to serve as a resource to the Committee on technical questions related to revolving loan fund operations, green bank structures, or clean energy financing mechanisms.

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