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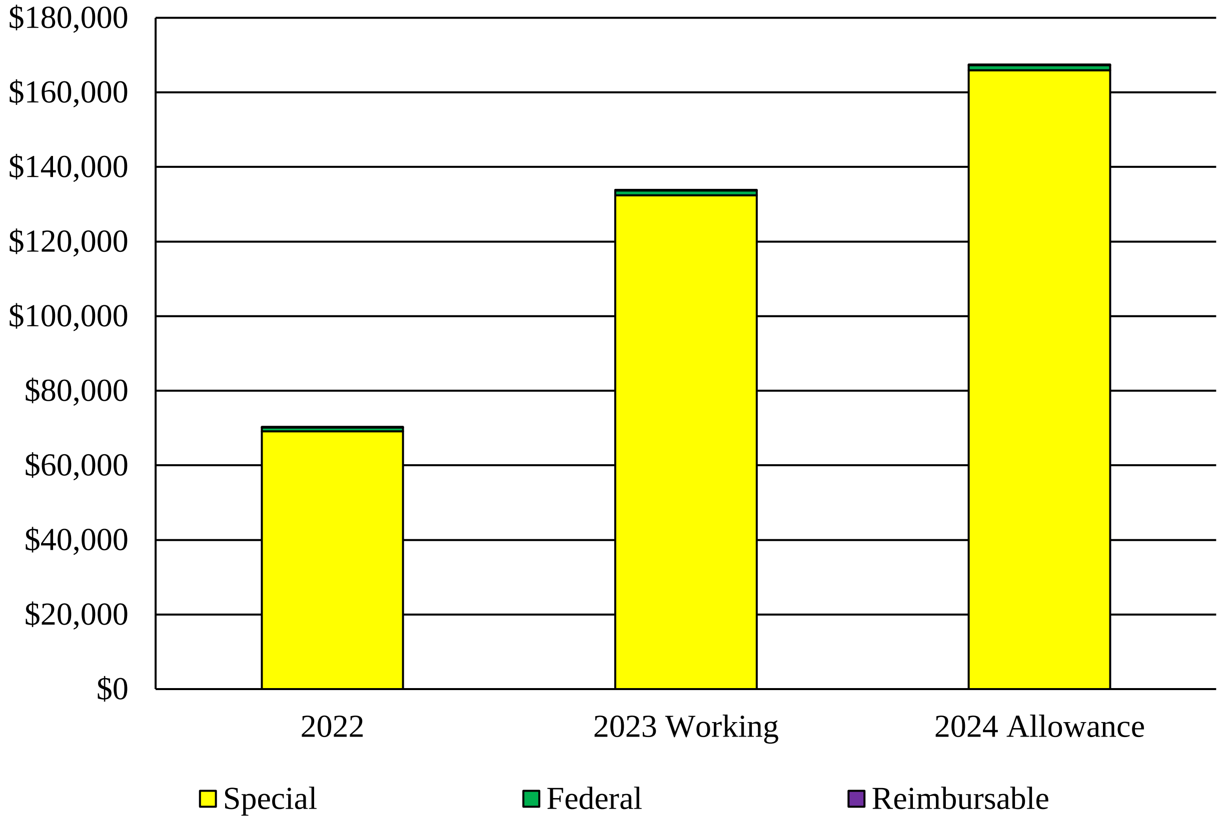
Maryland Energy Administration

Executive Summary

The Maryland Energy Administration (MEA) is an independent unit of State government that conducts planning activities for a variety of energy sources, administers programs aimed at increasing energy efficiency and increasing the use of renewable and clean energy, and advises the Governor's Office on energy policy matters.

Operating Budget Summary

Fiscal 2024 Budget Increases $33.6 Million, or 25.1%, to $167.5 Million
($ in Thousands)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

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- The overall increase in the fiscal 2024 allowance is due to increased revenue from the Strategic Energy Investment Fund (SEIF) resulting primarily from growth in Regional Greenhouse Gas Initiative (RGGI) auction proceeds and Alternative Compliance Payments (ACP) deposited in the SEIF. In the fiscal 2024 allowance, ACP revenue totals $49.6 million, an increase of $28.2 million in funding from this source from the fiscal 2023 working appropriation.

- A majority ($103.4 million) of the overall fiscal 2024 allowance for MEA supports renewable and clean energy programs and initiatives, including $30.1 million for solar energy programs funded through ACP revenue.

Key Observations

- ***RGGI Auction Revenue Remains Elevated:*** The overall MEA budget has seen significant growth each year since fiscal 2021 due to growth in RGGI auction revenues, resulting in fund balance that has been allocated by budget amendment in each of the past two fiscal years to support midyear programmatic increases. In fiscal 2022, the State received a total of $143.4 million in revenue from the RGGI program, the highest fiscal year total in the history of the State's participation in the program.

- ***SEIF Revenue from ACPs Grows:*** In fiscal 2023 and 2024, MEA budget growth is also driven by increased SEIF revenue sourced from ACPs from the State's Renewable Portfolio Standard (RPS) program. The RPS program requires electric utilities and suppliers to demonstrate compliance with requirements for sourcing electricity sold in Maryland from renewable sources, through either the retirement of renewable energy credits (REC), or through the payment of ACPs if an adequate amount of required RECs are not available. Historically, ACP revenue had been minimal, but due to a shortage of solar renewable energy credits (SREC), reliance on ACPs to meet RPS program requirements increased in calendar 2022. The fiscal 2023 working appropriation contains the first allocation of these funds in recent fiscal years ($21.5 million), and $49.6 million is included in the fiscal 2024 allowance.

- ***Future Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) Funding Availability:*** The fiscal 2024 allowance of MEA does not reflect funding from either the IIJA or the IRA. However, the U.S. Department of Energy (DOE) has announced $136.8 million for allocation to Maryland for two rebate programs through the IRA, the Home Energy Performance-Based, Whole-House Rebate Program and the High Efficiency Electric Home Rebate Program. Additionally, a total of $34.6 million is anticipated to become available to MEA from four formula grant programs through the IIJA, including the Preventing Outages and Enhancing the Resilience of the Electric Grid program, funding for expanded use of the State Energy Program, the Energy Efficiency Revolving Loan Fund Capitalization Program, and the Energy Efficiency and Conservation

Block Grant program. In addition, MEA continues to collaborate with the Maryland Department of Transportation (MDOT) on planning efforts for the implementation of IIJA funding for deployment of electric vehicle charging infrastructure and with the Public Service Commission (PSC) for the oversight of other competitive grant programs available to utilities relating to electric grid and transmission infrastructure.

Operating Budget Recommended Actions

		Funds
1.	Increase budgeted turnover expectancy for new positions from 0% to 25%.	-$ 208,465
2.	Adopt committee narrative requesting information on the Strategic Energy Investment Fund revenue, spending, and fund balance.	
3.	Adopt committee narrative requesting an update on Maryland Gas Expansion Fund activities.	
4.	Adopt committee narrative requesting a report on federal funding available from the Inflation Reduction Act.	
	Total Net Change	**-$ 208,465**

Operating Budget Analysis

Program Description

MEA is responsible for conducting planning activities for a variety of energy sources, advising the Governor's Office on energy policy, administering the SEIF, and administering programs aimed at increasing energy efficiency and the use of renewable and clean energy. MEA programs effect State and local government, nonprofit organizations, residential consumers, businesses, and industrial consumers. Certain programming specifically targets low- and moderate-income (LMI) Maryland residents. Some of the agency's key goals include:

- increase Maryland's energy efficiency and energy conservation;
- improve the energy efficiency of local governments, nonprofits, businesses, and State agencies;
- increase electric generation fuel diversity through the increased use of in-state renewable and clean energy; and
- diversify Maryland's transportation network by encouraging the utilization of alternative fuel and electric vehicles.

Performance Analysis: Managing for Results

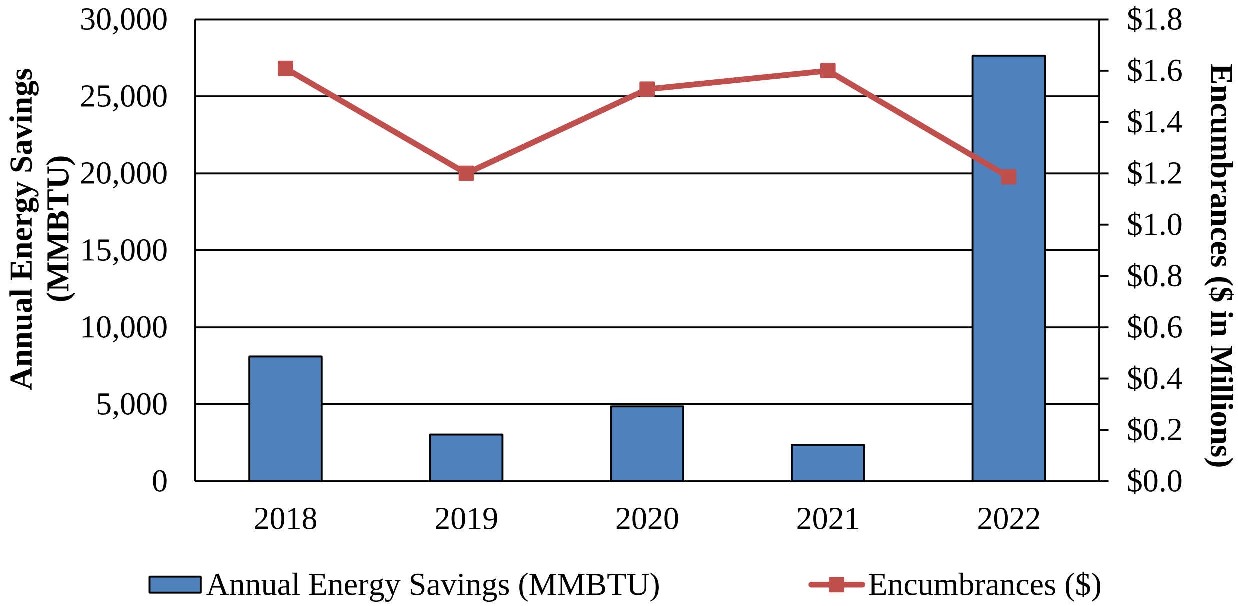
1. Energy Savings from Jane E. Lawton Conservation Loan Program

Prior to fiscal 2020, MEA operated two revolving loan fund programs to provide loans for energy efficiency projects. The Jane E. Lawton Conservation Loan Program (JELLP) provided loans at low interest rates to nonprofits, businesses, and local governments, while the State Agency Loan Program provided loans at no interest, with a 1% administrative fee, to State agencies. Chapter 135 of 2019 expanded eligible borrowers in the JELLP to include State agencies, effectively combining the two programs. State agencies continue to be eligible to receive loans at no interest, while other borrowers, including commercial, nonprofit, or nonpublic facilities, are eligible for low-interest loans (1% in fiscal 2023).

Due to the historically higher demand from State agencies for loans than compared to demand from non-State entities, the current structure of the JELLP initially sets aside a larger portion of funds for State agencies during the first half of the fiscal year. A portion of funds are also reserved for nonprofits only for the first three months of the fiscal year, and non-State entities for the first six months of the fiscal year, but if demand is low, these funds are then made available to State agencies during the second half of the fiscal year if demand among State agencies exceeds the initial six-month set-aside. This structure ensures that funding is efficiently utilized by ensuring that a portion of funding is initially reserved for non-State entities but also allowing for additional funding to be available to State agencies if funds are available and demand is high.

While the programs were not combined until fiscal 2020, for the purposes of **Exhibit 1**, the encumbrances (representing loan activity) and annual energy savings have been combined in fiscal 2018 and 2019. Historically, the trend of annual energy savings typically follows the trend of encumbrances; however, outliers in some years (such as in fiscal 2022) have occurred due to energy savings from a particular project or several projects being unusually high. In fiscal 2022, the majority of the large increase in energy savings is related to a single large indoor agricultural project that also received a grant under the Commercial, Industrial, and Agricultural Grant Program. In fiscal 2022, overall loan activity was lower compared to recent fiscal years, with encumbrances (representing the total amount committed to projects during the year) totaling only $1.2 million, which represents approximately 55% of available funding that year ($2.2 million). This level of encumbrances was notably lower than fiscal 2021 encumbrances (78% of available funding).

Exhibit 1
JELLP Annual Energy Savings versus Encumbrances
Fiscal 2018-2022



JELLP: Jane E. Lawton Conservation Loan Program
MMBTU: Metric Million British Thermal Units

Source: Department of Budget and Management; Maryland Energy Administration

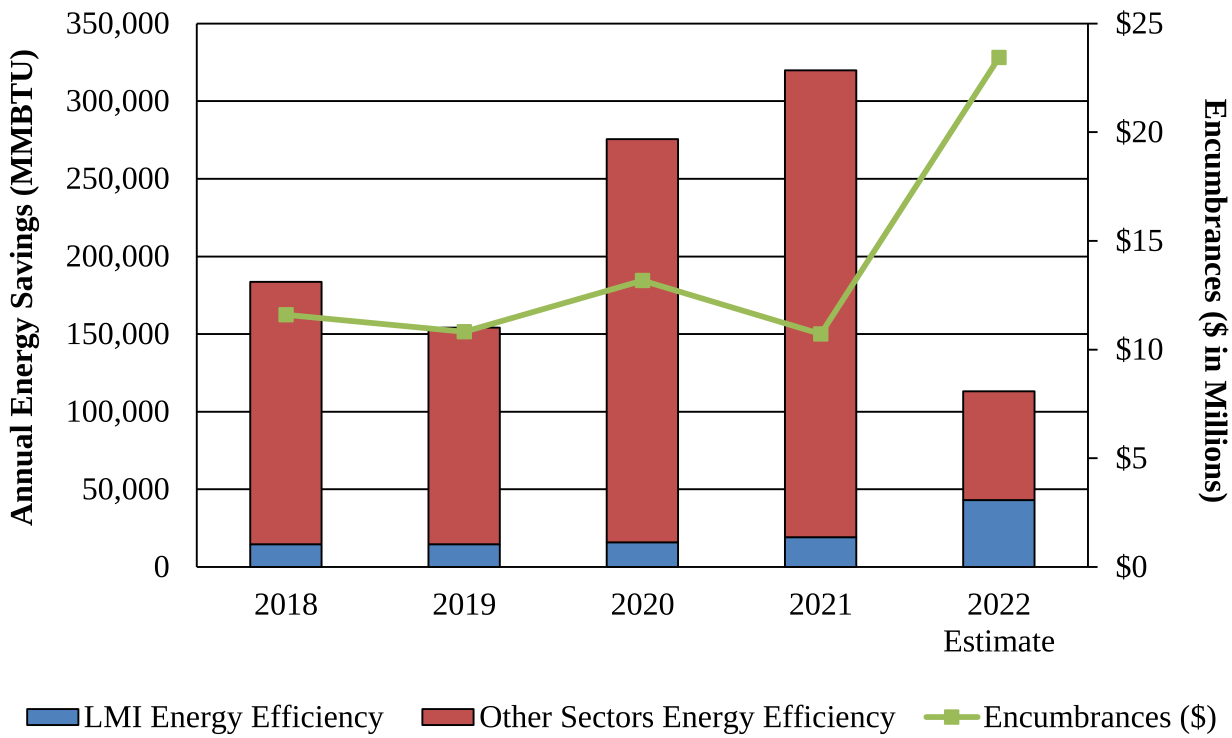
The fiscal 2024 allowance for the JELLP is $4.2 million, an increase of $2.45 million from the $1.75 million fiscal 2023 working appropriation for the program. Of the total fiscal 2024 program allowance, $2.0 million is set aside for loans to the Department of General Services for energy efficiency projects, leaving the remaining $2.2 million available for any other State agency and non-State entity projects. The Department of Legislative Services (DLS) notes that this $2.2 million is still above the level actually encumbered in recent years and the current fiscal 2023 appropriation level.

2. Energy Savings from Energy Efficiency Programs

In its annual Managing for Results submission, MEA includes data on annual energy savings achieved through its energy efficiency programs. In general, due to the timing of the completion of projects funded in a given year, actual energy savings are not generally known for the most recent year. As a result, MEA provides an estimate for energy savings for the most recent completed fiscal year.

Total spending for energy efficiency programs across both the LMI and non-LMI sectors more than doubled between fiscal 2021 and 2022, from $10.7 million to $23.4 million. As shown in **Exhibit 2**, MEA anticipates a decrease in overall energy savings in fiscal 2022 from projects funded that year despite the significant increase in program funding. For all programs (excluding LMI), the Combined Heat and Power (CHP) Grant Program, which is typically a driver of overall non-LMI energy savings, had only one project move forward in fiscal 2022 and was negatively impacted by higher natural gas prices and supply chain issues. Additionally, as previously mentioned, the Commercial, Industrial, and Agricultural Grant Program had projects that were also financed through the JELLP, which resulted in measured energy savings being prorated across both programs. Other programs financed through increased revenue available in fiscal 2022 for energy efficiency projects are part of longer-term investments and do not always result in direct, quantifiable energy savings.

Exhibit 2
Energy Savings from Energy Efficiency Programs versus Encumbrances
Fiscal 2018-2022 Estimate



LMI: low- and moderate-income
MMBTU: Metric Million British Thermal Units

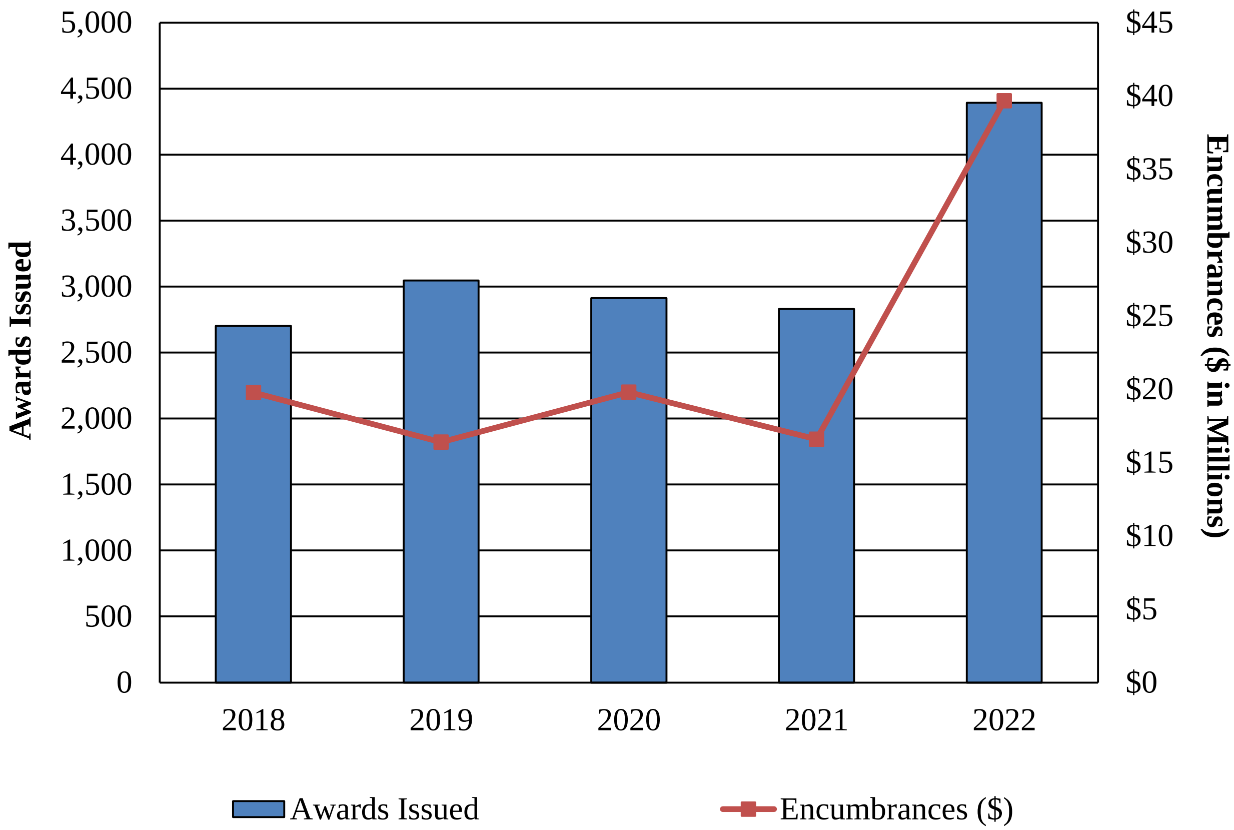
Source: Department of Budget and Management; Maryland Energy Administration

Energy savings from programs that benefit LMI residents, however, more than doubled between fiscal 2021 and 2022. In total, 34 grants were issued in fiscal 2022 to county and local governments, nonprofits, and other community action agencies for projects serving LMI residents, compared to 26 grants awarded in fiscal 2021.

3. Renewable and Clean Energy Program Awards and Encumbrances

In recent years, MEA spending for renewable and clean energy programs and initiatives has made up the largest share of the MEA budget and the greatest number of individual programs offered. Along with energy efficiency programs, funding budgeted for renewable and clean energy programs has increased significantly since fiscal 2021 due to additional available SEIF revenue from the RGGI program. As shown in **Exhibit 3**, total spending increased by over $23 million in fiscal 2022 to a total of $39.7 million compared to fiscal 2021. In fiscal 2022, MEA awarded a total of 4,392 grants to individuals, businesses, local governments, and other entities to incentivize in-state renewable energy generation from a variety of sources, an increase of more than 1,500, or 55.1%, from the total number of grants awarded in fiscal 2021. The majority of the total number of awards were made under the Residential Clean Energy Rebate Program, which provides rebates to eligible homeowners who have installed a qualifying clean energy system such as solar photovoltaic panels, geothermal systems tied to a ground-source heat pump, and other solar energy systems. Other renewable energy programs and initiatives offered by MEA include community solar and other large-scale solar energy initiatives and transportation programs incentivizing the adoption of zero-emission vehicles (ZEV) and clean fuels.

Exhibit 3
Awards Issued to Promote Renewable Energy versus Encumbrances
Fiscal 2018-2022

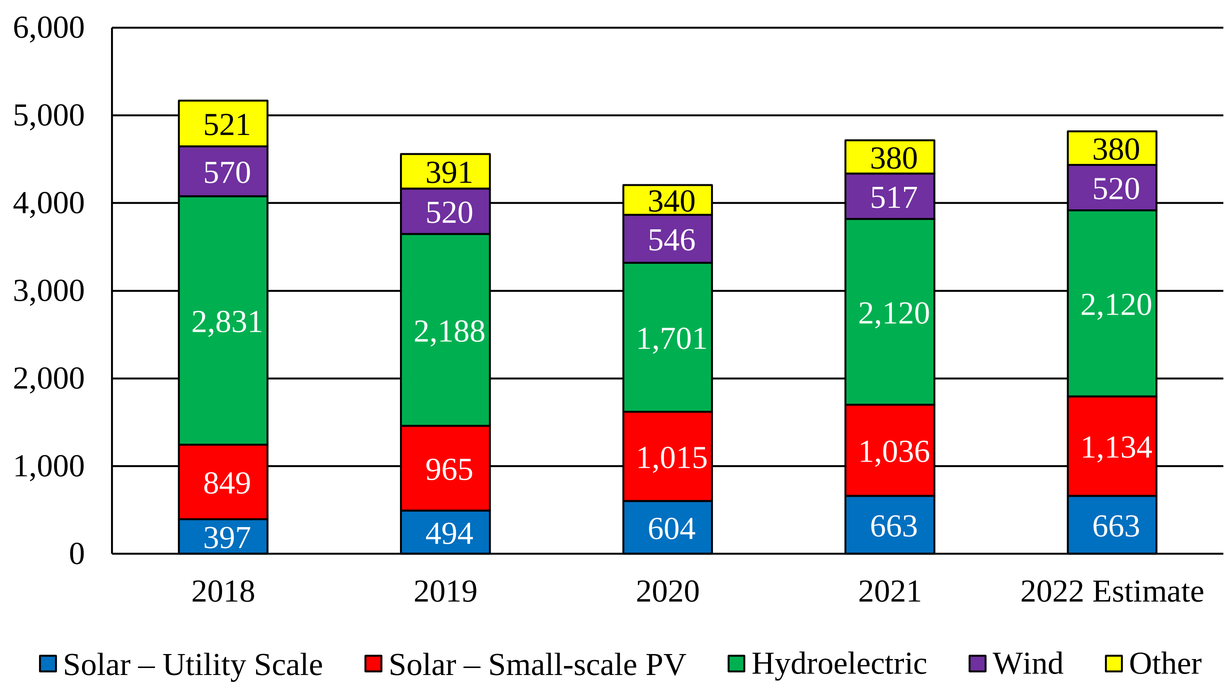


Source: Department of Budget and Management; Maryland Energy Administration

4. In-state Renewable Energy Generation and Energy Usage Trends

According to the U.S. Energy Information Agency, in calendar 2021, a total of 73% of Maryland's total in-state electricity was generated through natural gas (36%) and nuclear energy (37%), including power supplied by the Calvert Cliffs nuclear power plant in Calvert County. Natural gas-fired electric generation more than tripled between calendar 2015 and 2021, while coal-fired generation, which was historically the State's largest source of electric generation, declined significantly over the past decade. As of mid-calendar 2022, there were two remaining coal-fired power plants in the State following closures in recent years. Almost all new electric generating capacity since calendar 2015 has come from natural gas-fired generation or solar-powered generation. As shown in **Exhibit 4**, in-state renewable energy from all sources totaled 4,716 megawatt hours (MWh) in calendar 2021, an increase of approximately 12% from the previous year. The largest portion of this growth occurred in hydropower, which increased by 419 MWh in calendar 2021 compared to the estimate for calendar 2022.

Exhibit 4
In-state Renewable Energy Generation
Calendar 2018-2022 Estimate
(in Megawatt Hours)



PV: photovoltaic

Source: Maryland Energy Administration; U.S. Energy Information Agency

Fiscal 2023

For the second consecutive year, a budget amendment was processed to increase MEA's current year appropriation by a substantial amount. In fiscal 2022, a budget amendment added $28.6 million to the appropriation. In fiscal 2023, a budget amendment added $58.9 million in special funds that allocated additional SEIF revenues due to higher than anticipated RGGI auction revenues ($34 million) and additional revenues from ACPs ($21.5 million), Maryland Offshore Wind Business Development Fund (MOWBDF) ($2.5 million), and the Offshore Wind Development Fund (OWDF) ($850,000). Issue 1 of this analysis provides additional discussion of SEIF revenues.

Increases to the fiscal 2023 working appropriation include support for additional projects and grants to support current year program demand in the following MEA programs:

- $3 million for LMI energy efficiency and conservation programs supporting job growth and energy cost reduction for low-income households;
- $7.5 million for energy efficiency and conservation programs in other sectors (non-LMI) supporting additional MEA programming in this area and a portion of two new decarbonization pilot programs; and
- $48.4 million for renewable and clean energy programs and initiatives. The largest components of this funding increase are support for low-income solar energy programs funded through RPS ACPs, including:
  - $15 million for the Large Scale Low Income Community Solar Program;
  - $5 million for the Low Income Community Solar Program; and
  - $3.5 million to support other solar energy programs.

The remaining $24.9 million of funding is for renewable and clean energy programs and initiatives and includes support for several other programs, including $3.4 million for existing offshore wind-related programming.

Legislative Priorities

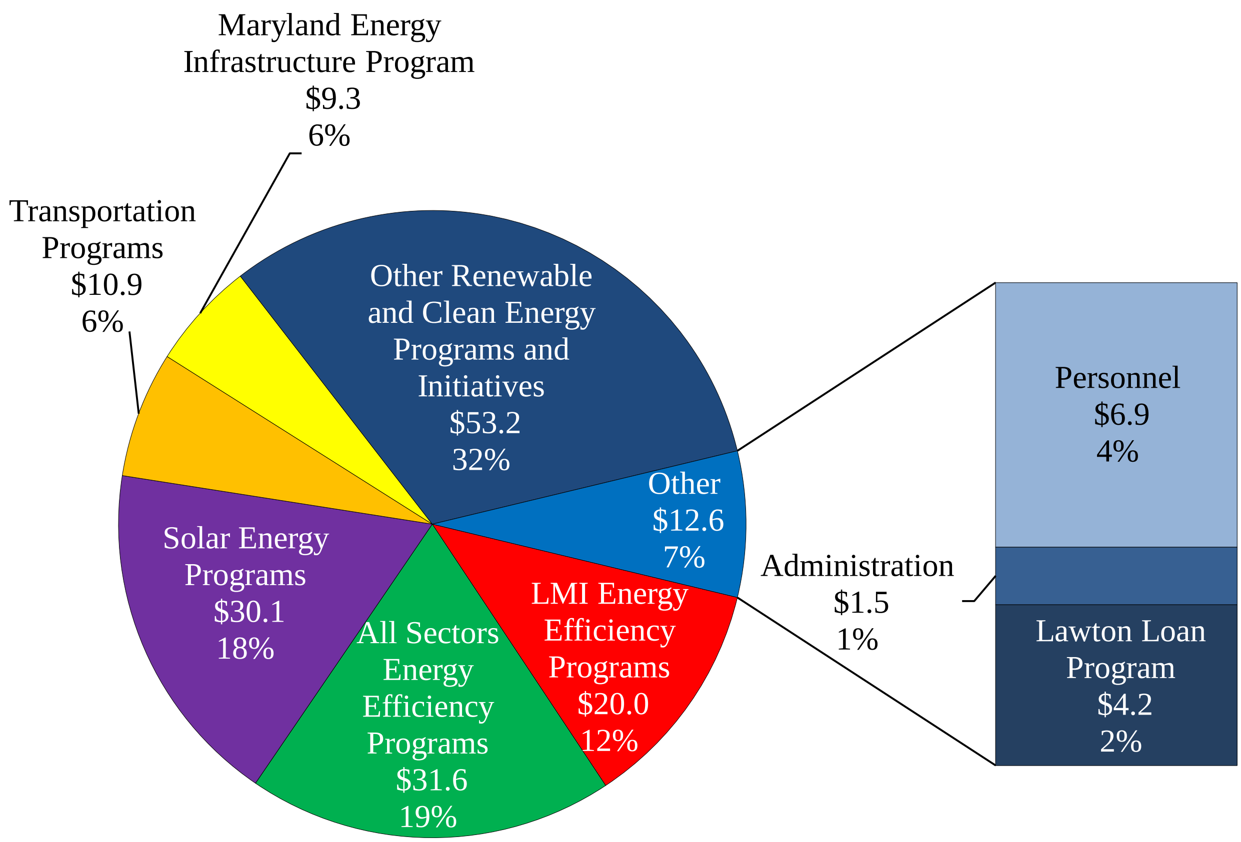
Language in the fiscal 2023 Budget Bill restricted funding from the Revenue Stabilization Account for various initiatives. Funds allocated to MEA from this restriction were for the purpose of providing a grant to the Maryland Clean Energy Center (MCEC) to establish and administer the Climate Catalytic Capital Fund, as mandated by Chapter 38 of 2022. In January 2023, Governor Wes Moore announced the release of the funds. However, due to the timing of the release, these funds are not reflected in the fiscal 2023 working appropriation.

Chapter 38 also mandated that the Governor include $5 million as a grant to MCEC in the annual budget bill in each fiscal year from fiscal 2024 through 2026. Although State funds provided as grants to MCEC historically have been budgeted through MEA or as a transfer of revenue from the SEIF to the Maryland Energy Innovation Fund (MEIF), in fiscal 2024, the mandated $5 million grant to MCEC is budgeted within the budget for the University of Maryland, College Park Campus (UMCP). The mandated funding provided as a grant to MCEC under Chapter 38 is in addition to the annual mandated distribution to MCEC through the MEIF. Under Chapter 13 of the 2021 special session, MEA is required to transfer $2.1 million annually from the SEIF to the MEIF to support both MCEC and the Maryland Energy Innovation Institute (MEII) within the A. James Clark School of Engineering at UMCP. While MCEC is a separate entity from MEII and UMCP, MEIF funds are included within the budget for UMCP.

Fiscal 2024 Overview of Agency Spending

The fiscal 2024 allowance for MEA totals $167.5 million. As shown in **Exhibit 5**, renewable and clean energy programs and initiatives are the largest share of MEA spending at 62%, or $103.4 million, of the total budget. Within this program, the largest area of spending is for solar energy programs, which total $30.1 million. The fiscal 2024 allowance for renewable and clean energy programs and initiatives also includes $10.9 million for transportation programs and $9.3 million for grants provided under the Maryland Energy Infrastructure Program funded through the Maryland Gas Expansion Fund. An additional, $45.5 million supports various other MEA grant programs that incentivize renewable and clean energy from a variety of sources. The remaining portion of the renewable and clean energy programs (approximately $9.2 million) supports program administration, technical assistance, planning, and other expenses related to grant programs.

Exhibit 5
Overview of Agency Spending
Fiscal 2024 Allowance
($ in Millions)



LMI: low- and moderate-income

Note: The fiscal 2024 allowance does not reflect funding for statewide personnel actions budgeted in the Statewide Account within the Department of Budget and Management.

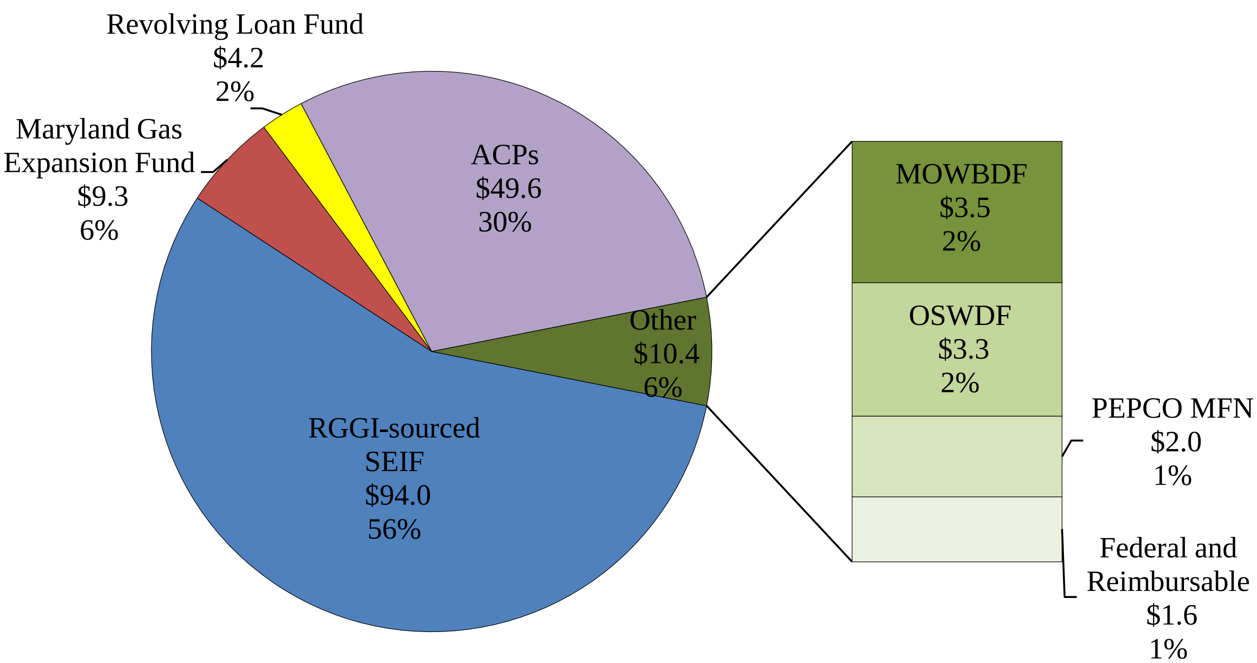
Source: Governor's Fiscal 2024 Budget Books; Maryland Energy Administration

Outside of renewable and clean energy programs and initiatives, 31% of the MEA budget supports spending for energy efficiency programs, including $20 million for grants to LMI energy efficiency projects, and $31.6 million for various energy efficiency projects in other sectors (non-LMI). MEA administrative expenses, which include personnel expenses and other agency operating expenses, total $8.4 million, or 5%, of the fiscal 2024 allowance.

Agency Spending by Source

As shown in **Exhibit 6**, RGGI-sourced SEIF is the largest source of funding in the fiscal 2024 allowance, totaling $94.0 million, or 56% of the budget. While RGGI-sourced SEIF is the primary ongoing source of MEA programmatic and administrative expenses, in fiscal 2024, a substantial portion of MEA funding comes from other non-RGGI sources. PSC orders in utility mergers or other large proceedings have included conditions for approval that require contributions to the SEIF to be used by MEA, or other entities for certain types of activities. The growth of ACPs as a revenue source has resulted in the total of non-RGGI sourced funding in the fiscal 2024 allowance to grow to 44%, despite decreases from other funding sources, including a decline in funds budgeted from the Maryland Gas Expansion Fund. In comparison, the fiscal 2023 allowance included 33% of funding from non-RGGI sources.

Exhibit 6
Spending by Source
Fiscal 2024 Allowance
($ in Millions)



ACP: Alternative Compliance Payments
MOWBDF: Maryland Offshore Wind Business Development Fund
RGGI: Regional Greenhouse Gas Initiative
OWDF: Offshore Wind Development Fund
PSC: Public Service Commission
MFN: Most Favored Nation Provision
SEIF: Strategic Energy Investment Fund

Note: The fiscal 2024 allowance does not reflect funding for statewide personnel actions budgeted in the Statewide Account within the Department of Budget and Management.

Source: Governor's Fiscal 2024 Budget Books; Maryland Energy Administration

The non-RGGI sourced revenue must be used as directed in statute or the PSC order creating the source:

- ***Exelon Animal Waste-to-energy ACP:*** Liquidated damages totaling $44 million from a State-chosen option of a menu of possible requirements are related to the development of new animal waste-to-energy generation from the Exelon and Constellation merger. These funds are required to be used to support the development of Tier 1 renewable energy sources consistent with the required use of ACPs under the State's RPS.

- ***RPS ACP:*** Under the terms of the State's RPS program, electric utilities and other electricity suppliers must demonstrate compliance with requirements for sourcing electricity sold in Maryland from renewable sources. Electricity suppliers are required to submit RECs equal to percentages specified in statute each year or pay an ACP equivalent to their shortfall, deposited in the SEIF. The fiscal 2024 allowance includes a total of $49.6 million from ACP revenue, which includes a combination of ACP revenue received under the State's RPS and from the Exelon Animal Waste-to-energy ACP.

- ***Maryland Gas Expansion Fund (AltaGas/WGL Settlement):*** A contribution of $30.3 million for use by MEA to promote the expansion of natural gas infrastructure to serve businesses, residents, industrial enterprises, and utility generation facilities from the AltaGas Ltd. and WGL Holdings, Inc. merger. PSC required that the majority of funds be used within the Washington Gas service territory and $4.6 million be used within Calvert, Charles, Frederick, and St. Mary's counties. The fiscal 2024 allowance includes $9.25 million from this fund to support the Maryland Energy Infrastructure Program (MEIP).

- ***OWDF:*** A contribution of $30 million for offshore wind development activities (such as technical studies or consortium memberships) from the Exelon and Constellation merger. The fiscal 2024 allowance includes $3.3 million from this fund.

- ***MOWBDF:*** Created through the Offshore Wind Energy Act of 2013 (Chapter 3), MOWBDF is a separate special fund outside of the SEIF and has been comprised of seed funds from the OWDF and required contributions ($2 million annually for three years) from approved applications of Offshore Wind Renewable Energy Credits (OREC). In February 2022, PSC notified MEA that initial deposits of $2 million each ($4 million total) were made by Skipjack Offshore Energy, LLC and MarWin II, LLC, both of which were awarded ORECs in December 2021. A second round of $2 million deposits is due from both companies in February 2023. The fiscal 2024 allowance includes $3.5 million from this fund.

- ***Most Favored Nation Provision:*** A condition included in the merger of Exelon and Pepco Holdings, Inc. required an increase in the value of benefits in Maryland if benefits in another jurisdiction were higher than those included in Maryland's final order. These funds ($9.2 million) were allocated to MEA for use for an industrial energy efficiency program and the CHP program. The fiscal 2024 allowance includes $2 million from this fund, which would fully utilize the remaining available funding from this source.

As shown in **Exhibit 7**, non-RGGI-sourced SEIF subaccount end-of-year balances are estimated to decrease by 10% between the end of fiscal 2022 and 2024 as funds are spent from these subaccounts; however, the RPS ACP subaccount balance is estimated to increase by $36.8 million during this period as ACP revenues are projected to increase. The largest decrease in non-RGGI-sourced SEIF occurs from the Maryland Gas Expansion Fund as nearly all available funds are anticipated to be provided as grants through MEIP by the end of fiscal 2024.

Exhibit 7
Non-RGGI-sourced SEIF Year-end Fund Balances
Fiscal 2022-2024 Est.
($ in Millions)

	2022	2023 Est.	2024 Est.
Offshore Wind Development (OWDF)	$7.5	$1.8	$0.0
Dominion Cove Point Settlement	11.2	0.1	0.1
Exelon Animal Waste-to-Energy ACP	28.2	5.4	0.7
Renewable Portfolio Standard ACP	77.3	101.5	114.1
Pepco/Exelon Merger Most Favored Nation Provision	5.8	2.0	0.0
AltaGas/WGL Settlement (Maryland Gas Expansion Fund)	29.9	11.1	1.9
Total	**$130.0**	**$110.8**	**$114.9**

ACP: Alternative Compliance Payment
OWDF: Offshore Wind Development Fund
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Note: Fiscal 2022 end-of-year reported balances are cash balances. Fiscal 2023 and 2024 estimated balances are the net of encumbrances and assume the full utilization of fiscal 2023 and 2024 appropriation. Fiscal 2024 estimates have been revised from Appendix K of the Governor's Fiscal 2024 Budget Books.

Source: Governor's Fiscal 2024 Budget Books; Maryland Energy Administration

Proposed Budget Change

As shown in **Exhibit 8**, the fiscal 2024 allowance for MEA increases by $33.6 million, or 25%, compared to the fiscal 2023 working appropriation. The primary areas of increase include a $15.7 million increase to energy efficiency and conservation programs in non-LMI sectors and a $13.8 million increase to renewable and clean energy programs and initiatives. These programmatic increases are primarily funded through increased levels of RGGI-sourced SEIF revenue available in fiscal 2024 in addition to substantial amounts of ACP revenue and other non-RGGI-sourced SEIF. The fiscal 2024 allowance of MEA is more than double the fiscal 2022 actual spending, reflective of the substantial growth in SEIF revenue since fiscal 2021.

Exhibit 8
Proposed Budget
Maryland Energy Administration
($ in Thousands)

How Much It Grows:	**Special Fund**	**Federal Fund**	**Reimb. Fund**	**Total**
Fiscal 2022 Actual	$69,122	$1,011	$150	$70,284
Fiscal 2023 Working Appropriation	132,445	1,278	178	133,901
Fiscal 2024 Allowance	165,938	1,388	198	167,525
Fiscal 2023-2024 Amount Change	$33,493	$110	$20	$33,624
Fiscal 2023-2024 Percent Change	25.3%	8.6%	11.5%	25.1%

Where It Goes:	**Change**
Personnel Expenses	
10 new regular positions	$834
Employee and retiree health insurance	247
Annualization of November 2022 4.5% cost-of-living adjustment	55
Other fringe benefit adjustments	7
Regular earnings	-26
Funding for New Programs	
Net Zero and Resiliency Program to fund construction and renovation of public schools and facilities that serve disadvantaged communities	10,000
Decarbonizing Economic Development Competitiveness Pilot Program to leverage capital investments by businesses to adopt energy efficiency and renewable energy technologies	7,000
Decarbonizing Communities Pilot Program to provide incentives for decarbonization efforts in partnership with local communities	7,000
Higher education green energy initiatives	4,800
Mechanical Insulation Grant Program (established by Chapter 577 of 2022)	900
Programmatic Changes	
Grant program technical assistance and other program administrative costs	2,600
Jane E. Lawton Conservation Loan Program	2,450
Commercial and Industrial Grant Program	2,200

Where It Goes:	**Change**
Solar energy programs	1,500
Clean Energy Grant Programs (residential and commercial)	1,400
State and local streetlights and outdoor lighting grants	1,200
Transportation programs	650
Maryland Smart Energy Communities Program grants	500
Unspecified energy efficiency project grants	375
Unspecified renewable energy project grants	375
Resilient Maryland Program	150
Offshore wind programs	-850
School Decarbonization	-1,300
Maryland Energy Infrastructure Program	-9,050
Other Changes	
Contractual employee payroll, including 6 new full-time equivalents	433
Software licenses for agency program management system	206
Other	-14
Total	**$33,642**

Note: Numbers may not sum to total due to rounding. The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

Maryland Gas Expansion Fund

The Maryland Gas Expansion Fund supports the MEIP. This program promotes natural gas expansion by making it available to new customers, reconnecting previous natural gas customers, or expanding its usage by current customers. In fiscal 2023, a total of $9.3 million in grants are available to applicants from two areas of interest:

- ***Maryland Anchor Customers:*** includes commercial, industrial, State agencies, local governments, and nonprofits ($3.3 million of total funding); and

- ***Local Distribution Companies (LDC):*** businesses that presently hold or have filed an application for a tariff or other licenses for natural gas distribution with PSC or the U.S. Federal Energy Regulatory Commission ($6 million of total funding).

MEA reports that eight applications were received for available fiscal 2023 program funding and that it plans to announce grant awards in early calendar 2023.

The fiscal 2023 appropriation from the Maryland Gas Expansion Fund totaled $18.5 million, which was originally intended to be used in full for the MEIP. However, language in the fiscal 2023 Budget Bill restricted half ($9.3 million) of these funds to be used for bill payment assistance and arrearage retirement for residential electric and natural gas customers in the Department of Human Services (DHS) Office of Home Energy Programs. The restricted funds have not been transferred, and $9.3 million is instead budgeted for use by MEA for the same purpose in fiscal 2024. **MEA should comment on why these funds will not be used for the purpose for which the General Assembly restricted them.**

Transportation Programs

The fiscal 2024 allowance includes $10.9 million budgeted for transportation programs, including the Electric Vehicle Supply Equipment (EVSE) rebate program and the Clean Fuels Incentive Program (CFIP). The CFIP includes funding as mandated by Chapter 234 of 2022 (the Clean Cars Act) for the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program. Chapter 234 requires an appropriation from the SEIF of at least $1.75 million annually in fiscal 2024 through 2027 to the Medium-Duty and Heavy-Duty Zero-Emission Vehicle Grant Program. This program supports grants to individuals or units of local government for up to 20% of the cost for qualified vehicles (vehicles rated at over 8,500 pounds unloaded gross weight and powered by electricity stored in a battery or hydrogen fuel cell), vehicle supply equipment, or heavy equipment property. Of the $1.75 million total, at least $1.0 million is specified as being for grants for qualified medium- and heavy-duty ZEVs, and $750,000 is specified as being for grants for heavy equipment property. The existing CFIP incorporates mandated funding for these purposes, as part of $4.8 million budgeted for the program in fiscal 2024.

A total of $4.6 million is budgeted for the EVSE rebate program through the SEIF in fiscal 2024. The current EVSE program is authorized through fiscal 2023. Under current program guidelines, rebates are issued to individuals, businesses, and State or local governments for 40% of the costs of acquiring and installing qualified electric vehicle recharging equipment, up to a certain maximum depending on type of recipient.

Alternative Compliance Payments Made under the RPS Program

The fiscal 2024 allowance includes at least $49.6 million to support various renewable and clean energy programs and initiatives funded through SEIF revenue from ACPs, including $30.1 million for LMI and other solar energy programs and $10 million for the Net Zero/Resiliency Program for Public Schools and Social Service Facilities Serving Disadvantaged Communities. This program is a new program providing funding to construct or renovate schools or facilities in economically disadvantaged communities to be net zero. ACP-sourced SEIF included in the fiscal 2024 budget represents a significant increase in SEIF revenue from this area, as historically ACP revenue received under the State's RPS program had been minimal.

Maryland's RPS program was enacted in 2004 to facilitate a gradual transition to renewable energy. As required by the RPS statute, Maryland electricity suppliers, including both electric utilities and competitive retail suppliers, are required to annually demonstrate compliance to PSC with the renewable energy requirements outlined in the escalating renewable energy portfolio standard percentages for each tier of renewable energy sources. There are specified eligible "Tier 1" sources as well as carve-outs for solar and offshore wind energy. To comply with RPS program requirements, electricity suppliers are required to acquire RECs derived from eligible fuel sources. A REC constitutes the renewable attributes associated with the production of 1 MWh of electricity generated using eligible renewable sources. RECs are tradeable commodities between electric generators and suppliers and have a three-year lifespan during which they may be transferred, sold, or redeemed. Each supplier must annually document the retirement of RECs equal to the percentages specified by the RPS statute or pay an ACP equal to the shortfalls.

RPS percentage requirements were increased to their current levels by Chapter 757 of 2019 (the Clean Energy Jobs Act), which increased the total percentage of electricity sourced from renewable sources from 25% by calendar 2020 to 50% by calendar 2030 and amended the solar energy carve-out component of the RPS. Electricity suppliers have historically met all requirements for RPS percentages through retirements of RECs due to generation levels that met or exceeded RPS requirements. However, SRECs exceeded their availability due to lower solar generation compared to levels required by the RPS statute. As a result, once excess SRECs were retired between calendar 2020 and 2021, the SREC price quickly increased during calendar 2022 and ultimately reached the level of ACPs. ACP revenue increased significantly in calendar 2022 as a result, as it would be more cost effective for an electricity supplier to pay the ACP rather than buying a higher priced SREC on the open market. MEA notes that unless solar installation increases significantly, SREC prices will remain near the level of ACPs in the near future. The solar carve-out in the RPS will continue to increase through calendar 2030, which will result in a widening gap between the RPS percentage requirements and installed solar capacity unless installation grows at a faster rate.

Personnel Data

	FY 22 Actual	FY 23 Working	FY 24 Allowance	FY 23-24 Change
Regular Positions	30.00	31.00	41.00	10.00
Contractual FTEs	7.00	10.00	16.00	6.00
Total Personnel	**37.00**	**41.00**	**57.00**	**16.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/22	2.00	6.45%
Vacancies Above Turnover	2.00	

- The fiscal 2024 allowance includes funding for an additional 10 regular positions. These positions reflect the increase in size of the agency's budget and scope of its programming in recent fiscal years and include:

  - 2 new program manager positions for solar programs funded through increased solar ACP;

  - 2 new program manager positions for transportation and LMI programs due to the growth of these programs in recent years;

  - 2 new finance specialist positions to support agency financial administration;

  - 1 new administrator position to serve as coordinator of the Climate Transition and Clean Energy Hub, as mandated by Chapter 38;

  - 1 new energy policy manager position to work with PSC on grid planning efforts including PSC's Public Conference (PC) 44 (Transforming Maryland's Electric Grid) docket:

  - 1 new information technology (IT) director position to serve as dedicated IT staff for the agency; and

  - 1 new procurement officer position to manage increased agency procurement needs including Program Technical Assistance vendors, IT software and other equipment, and other procurement contracts.

- The fiscal 2024 allowance includes funding for a net increase of 6 contractual full-time equivalent (FTE) positions, including an additional 4 FTE energy specialist positions to process clean energy grants and an additional 2 FTE finance assistant positions.

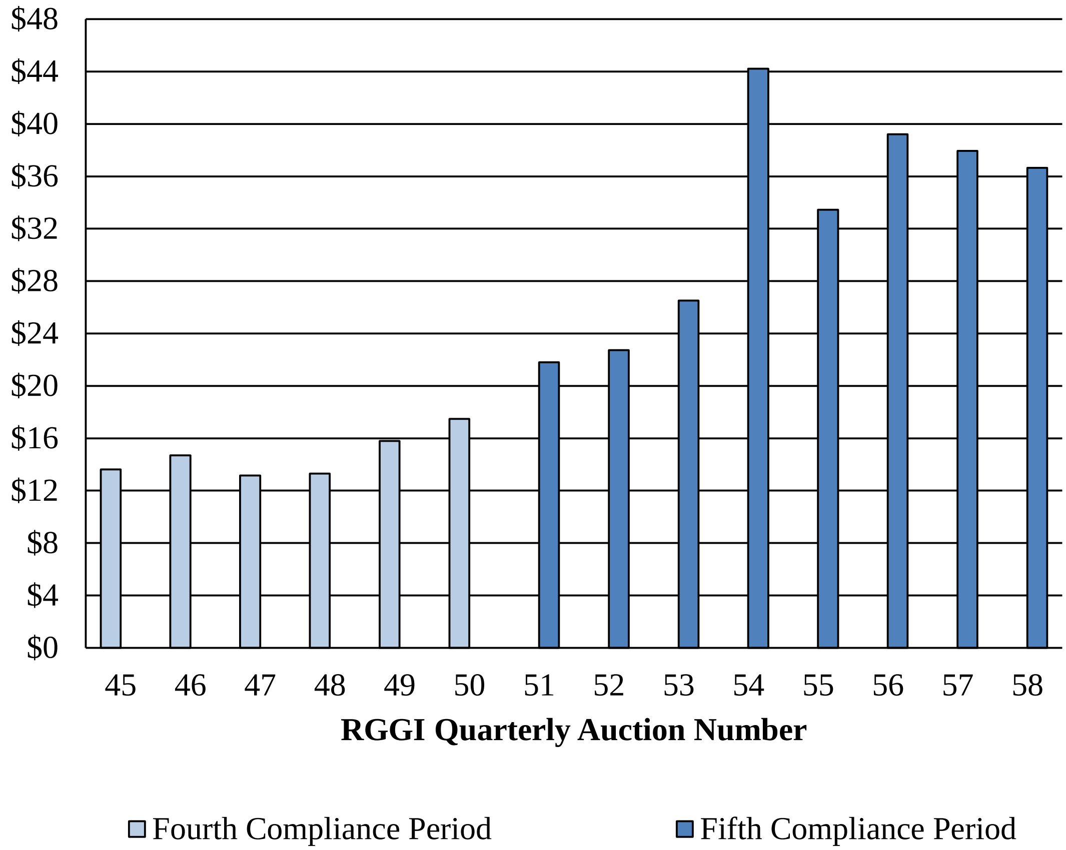
Issues

1. RGGI Auction Revenues Remain at Elevated Levels in Calendar 2022

The RGGI program is a regional market-based carbon dioxide cap and investment program designed to reduce emissions from fossil fuel-based power generating plants. Under RGGI program regulations, fossil-fuel-based electric generators with a capacity of 25 Megawatts or greater are required to hold allowances equal to their total carbon dioxide emissions over a three-year control period. Currently, Maryland is 1 of 11 member states in the northeastern U.S. region participating in quarterly auctions for the sale of carbon dioxide emissions allowances authorized under the RGGI emissions cap. In April 2022, Pennsylvania joined RGGI as the twelfth member state; however, it has not participated in any RGGI auctions since joining due to ongoing pending legal challenges in the state that have delayed full program implementation.

Over the 58 total auctions held since the first auction in September 2008, RGGI auction revenue has shown substantial variation, primarily driven by changes in the auction clearing prices. **Exhibit 9** presents information on the auction clearing prices and auction revenue for recent auctions. The highest auction clearing price in the history of the RGGI program was achieved in Auction 56 in June 2022, at $13.90 per allowance. Since Auction 54, clearing prices have ranged from between $12.99 and $13.90 per allowance, which are substantially higher than in any auction held prior to December 2021.

Exhibit 9
Maryland Revenue from RGGI Auctions
September 2019 to December 2022
($ in Millions)



RGGI: Regional Greenhouse Gas Initiative

Source: Regional Greenhouse Gas Initiative, Inc.

The highest amount of revenue proceeds received by Maryland from a single RGGI auction occurred in the December 2021 auction (Auction 54). Since Auction 54, amounts of auction revenue proceeds received by Maryland have remained above $30 million in each auction held throughout calendar 2022. Total auction revenue received by Maryland in fiscal 2022 from the four auctions reached $143.4 million, the highest ever in a single fiscal year and nearly double the revenue of $77.8 million achieved during fiscal 2021. Over the first two RGGI auctions held during fiscal 2023 (in September and December 2022), the total amount of auction revenue received by Maryland totaled $74.6 million, indicating that revenue totals for the fiscal year will remain at an elevated level.

Due to the historical unpredictability of auction clearing prices, the revenue in the budget for many years did not generally align well with actual auction revenue. These variations led to a buildup of fund balance in some years but resulted in midyear program reductions in others. To stabilize the program funding, MEA began estimating revenue for the budget using the minimum auction clearing prices with any overattainment of revenue compared to that minimum used in the following year (for example, overattainment from auctions held during fiscal 2022 is available for fiscal 2024). While this conservative method of projecting revenues helped to avoid midyear contraction or elimination of programming, this method of budgeting resulted in large fund balances accruing in the SEIF while awaiting allocation in the subsequent budget cycle.

Beginning with the revenue estimates used in developing the fiscal 2023 budget, MEA altered its revenue projection method by raising the estimated auction clearing price amount used for these projections from the minimum auction clearing price to a rolling average of the actual clearing prices of auctions held during the two most recent fiscal years. Using this methodology, an estimated clearing price of $9.94 per allowance is used to forecast future auction revenues in the fiscal 2024 budget cycle (compared to the minimum clearing price of $2.50 per allowance that has been set for auctions held during calendar 2023). This increased clearing price reflects the growth in actual auction clearing prices in recent auctions and allows for auction revenue projections to align more closely with actual recent auction results but still results in a conservative estimate of total auction revenues. For example, actual auction clearing prices have exceeded $9.94 per allowance in each auction held since Auction 54 in December 2021. This method of revenue forecasting reduces the amount of overattainment revenue that is delayed until a future budget cycle. However, this method has still led to an understatement of available revenues and the addition of unbudgeted revenues by budget amendment. **MEA should comment on if it plans to continue allocating the higher revenue than budgeted through budget amendments, or if it plans to return to the method of retaining overattainment for future years.**

RGGI Revenue Allocation and Fund Balance

Chapters 127 and 128 of 2008 established the SEIF primarily to receive revenue from the RGGI carbon dioxide emission allowance auctions. The chapters also established an allocation of revenue from RGGI auctions to be distributed among various categories of spending. The allocations were subsequently changed several times with the current allocation set as part of the Budget Reconciliation and Financing Act of 2014. Other revenues held in the SEIF that are available from non-RGGI sources (such as ACPs received under the State's RPS program and other funds available from PSC orders) are not subject to the statutory allocation of revenue that applies to RGGI-sourced funds but follow other statutory requirements or requirements from the PSC orders that resulted in that revenue source. **Exhibit 10** provides information on the current allocation of RGGI auction revenue as required under Section 9-20B-05 of the State Government Article. The administration subaccount is limited by statute to a maximum distribution of up to 10% of total revenue, or no more than $5 million. The cap on the administration subaccount results in the availability of additional revenues to be distributed to the other subaccounts if 10% of total revenues exceeds $5 million.

Exhibit 10
RGGI Revenue Distribution as Determined by Statute

	Revenue Distribution as Determined by Statute
Energy Assistance	At least 50%
LMI Energy Efficiency and Conservation Programs	At least 10%
Energy Efficiency and Conservation Programs in All Sectors	At least 10%
Renewable and Clean Energy Programs and Initiatives	At least 20%
Administration	Up to 10% but no more than $5 million

LMI: low- and moderate-income
RGGI: Regional Greenhouse Gas Initiative

Source: State Government Article 9-20B-05

Statutorily Required Distributions

The allocation of RGGI auction revenues to the various SEIF subaccounts as required by statute occurs following the distribution of certain transfers required under statute and accounting for the payment of annual dues to RGGI, Inc. In fiscal 2024, these transfers include the following:

- $300,000 is transferred for RGGI, Inc. annual dues;

- $2.1 million is transferred to the MEIF as mandated by Chapters 13 and 24 of the 2021 special session. MEIF funds support the administrative costs of MEII in the A. James Clark School of Engineering at UMCP and MCEC. Out of the $2.1 million total transfer, $0.9 million annually is apportioned to MEII, and $1.2 million annually is apportioned to MCEC; and

- $8.25 million is transferred to the Transportation Trust Fund for tax credits under the Zero-Emission Vehicle Excise Tax Credit program as mandated by Chapter 234 (the Clean Cars Act). No transfers for this purpose were required in fiscal 2023.

Other statutorily required allocations required under Chapter 757 (the Clean Energy Jobs Act) occur out of the statutory distribution of revenues to the renewable and clean energy subaccount therefore reducing funds available to those programs rather than all distributions as the prior allocations do. The allocations earmark:

- $500,000 in fiscal 2024 for the Small, Minority, and Women-Owned Businesses Account within the Maryland Department of Commerce (Commerce), with set amounts per year. Further discussion of this transfer may be found in the budget analysis for Commerce – T00; and

- $1 million in fiscal 2024 to the Clean Energy Workforce Account in the Maryland Employment Advancement Right Now program within the Maryland Department of Labor.

Fiscal 2024 Allowance Comparison

As shown in **Exhibit 11**, the fiscal 2024 allowance includes $204.4 million in RGGI-supported spending, an increase of $25.2 million from the fiscal 2023 working appropriation. The largest increases are in DHS for energy assistance ($16.3 million) and energy efficiency and conservation programs in all sectors ($12.6 million). These increases reflect the use of fund balance in addition to the higher forecasted revenue. Funding for the renewable and clean energy programs and initiatives decrease by $5.1 million due to the increased use of non-RGGI-sourced SEIF funds to support MEA programs in this area. Total MEA spending through RGGI-sourced SEIF increases by $10.0 million, reflecting increases in energy efficiency and conservation programs in all sectors and administration, which are partially offset by the decrease in renewable and clean energy programs and initiatives. Outside of MEA and DHS, transfers to the Maryland Department of Health decrease by $1.1 million due to the conclusion of funding for energy performance lease contracts funded through the SEIF in prior years.

Exhibit 11
Comparison of RGGI-related Appropriations
Fiscal 2022-2024 Allowance
($ in Millions)

	2022	2023 Working	2024 Allowance	2023-2024 Change
Energy Assistance	**$31.9**	**$82.8**	**$99.1**	**$16.3**
Department of Human Services	$31.9	$82.8	$99.1	$16.3
Low- and Moderate-income Energy Efficiency and Conservation Programs	**$15.6**	**$20.0**	**$20.0**	**$0.0**
Maryland Energy Administration (MEA)	$15.6	$20.0	$20.0	$0.0
Energy Efficiency and Conservation Programs in All Sectors	**$11.8**	**$20.9**	**$33.5**	**$12.6**
MEA	$6.3	$15.9	$29.6	$13.7
Department of General Services (DGS)	3.5	3.9	3.9	0.0
Maryland Department of Health	2.0	1.1	0.0	-1.1
Renewable and Clean Energy Programs and Initiatives	**$23.2**	**$50.4**	**$45.3**	**-$5.1**
MEA	$16.8	$43.0	$37.9	-$5.1
Maryland Department of the Environment	2.6	3.6	3.6	0.0
Maryland Department of Commerce (SMWOBA)	0.5	0.5	0.5	0.0
Maryland Department of Labor (EARN)	1.0	1.0	1.0	0.0
State Fleet Electric Vehicle Program – DBM	2.3	1.3	1.3	0.0
State Fleet Electric Vehicle Chargers – DGS	0.0	1.0	1.0	0.0
Administration	**$4.7**	**$5.1**	**$6.5**	**$1.4**
MEA	$4.7	$5.1	$6.5	$1.4
Total	**$87.2**	**$179.2**	**$204.4**	**$25.2**

DBM: Department of Budget and Management
EARN: Employment Advancement Right Now
RGGI: Regional Greenhouse Gas Initiative

Source: Governor's Fiscal 2024 Budget Books

SEIF Balance

As shown in **Exhibit 12**, at the close of fiscal 2022, the balance from RGGI-sourced subaccounts in the SEIF totaled $271.5 million, representing reported cash balances at the end of the fiscal year. The cash balances do not take into account any funds that may already be committed through encumbrances. Fiscal 2023 and 2024 estimates do account for encumbrances and assume full utilization of appropriated funds. Due to the difference between cash balances and encumbrances, the fund balances between fiscal 2022 and 2023 cannot be compared. **MEA should provide information on the fiscal 2022 balances after taking into account encumbrances to reflect only the available balance.**

Exhibit 12
Strategic Energy Investment Fund Balance, RGGI-sourced Subaccounts
Fiscal 2022-2024
($ in Millions)

	2022	2023	2024
Energy Assistance	$134.8	$50.3	$0.0
Energy Efficiency and Conservation Programs, LMI Sector	28.8	9.6	0.4
Energy Efficiency and Conservation Programs, All Other Sectors	30.7	15.6	0.0
Renewable and Clean Energy Programs and Initiatives	49.3	18.3	0.3
Administration	27.9	15.0	0.9
Total	**$271.5**	**$108.8**	**$1.6**

LMI: low- and moderate-income
RGGI: Regional Greenhouse Gas Initiative

Note: Fiscal 2022 end-of-year reported balances are cash balances. Fiscal 2023 and 2024 estimated balances are the net of encumbrances and assume the full utilization of fiscal 2023 and 2024 appropriation.

Source: Governor’s Fiscal 2024 Budget Books

The fiscal 2023 ending balance is estimated to total $108.8 million before decreasing to $1.6 million at the end of fiscal 2024 as most of the remaining fund balance is spent. Fiscal 2024 fund balances also likely understate actual RGGI-sourced SEIF revenue due to the intentional understating of anticipated revenues as part of MEA’s revenue forecasting method. When additional revenue amounts are known for future RGGI auctions, it is likely that the fiscal 2024 closing balance will be close to, or even exceed, the fiscal 2023 level.

Of note, the fund balances of various subaccounts are also impacted in fiscal 2023 and 2024 due to the realignment of SEIF interest and fund balance from the administration subaccount, due to revenues exceeding the $5 million cap on revenue distribution to this subaccount. This reallocation includes $8 million of interest ($4 million each in fiscal 2023 and 2024), which was allocated in the following manner: $3 million to the LMI energy efficiency subaccount; $4 million to the non-LMI sector energy efficiency subaccount; and $1 million to the renewable and clean energy programs and initiatives subaccount.

2. Anticipated Federal IIJA and IRA Funding Available to Maryland

The federal IIJA and IRA contain energy-related provisions supporting a variety of programs and initiatives. Funding from the programs included are available to both State and local governments as well as private industry through a combination of competitive and formula grant programs. Although the exact allocations of some federal funding for energy-related provisions of the IIJA and the IRA have been announced, no funding from either piece of legislation is included in the fiscal 2024 allowance for MEA due to the ongoing development of program guidelines at the federal level. However, due to the scope of potential energy-related funding available to Maryland, fiscal impacts for MEA could be substantial in fiscal 2024 and subsequent fiscal years.

IIJA

The IIJA was signed into law by President Joseph R. Biden, Jr. on November 15, 2021, and included funding for a variety of energy-related programs at the federal, state, and local level. One of the largest areas of energy-related spending in the IIJA was for programs focusing on electric grid infrastructure and resiliency upgrades and investments in electric generation and transmission. In June 2022, PSC initiated PC 56 to oversee applications by utility companies under its jurisdiction for federal funds available under the IIJA. Due to the regulatory authority of PSC over electric utilities in the State, it is anticipated that PSC will play the main role in determining the usage and allocation of these funds or other funds received by utilities, but MEA will be involved in overall planning efforts. As part of PC 56, utilities are required to submit monthly reports to PSC providing information on applications submitted for IIJA funding. Additional discussion on these programs is included in the budget analysis for PSC – C90G00.

In December 2022, the Department of Budget and Management (DBM) submitted a report to the budget committees that provided an update on funding available to the State through the IIJA, including information on four formula grant programs in the energy sector totaling approximately $34.6 million in available funding. According to this report, these four programs will be administered by MEA, although no appropriations or expenditures had been made at the time of DBM reporting under any of the four programs. The four programs are as follows.

- ***Preventing Outages and Enhancing the Resilience of the Electric Grid, Grants to States and Tribes:*** $22 million in total funding is allocated from federal fiscal 2023 through 2027 and available for use through the end of federal fiscal 2033 for states to use for funding improvements to the resilience of their electric grids.

- ***State Energy Program (Expanded Use):*** $7.1 million was authorized in federal fiscal 2023 as supplemental State Energy Program funding for expanded uses of the existing program, including for the streamlining of permitting for building-based solar arrays by local governments, the evaluation of low-carbon alternatives for current and past fossil fuel generation sites, and the development of a long-term energy program plan. Funding is available for use through March 2028.

- ***Energy Efficiency Revolving Loan Fund Capitalization Program:*** $3.3 million was allocated for federal fiscal 2023 and 2024 to enable the creation of a revolving loan fund to finance energy efficiency audits and improvements for residential, commercial, and public buildings. Funding is available for use through June 30, 2028.

- ***Energy Efficiency and Conservation Block Grant:*** $2.1 million was allocated for federal fiscal 2024 to assist with the implementation of strategies to reduce energy use, fossil fuel emissions, and to improve efficiency in transportation, buildings, and other sectors.

MEA has established a dedicated email address for applicants for competitive federal funding opportunities available to non-State entities who wish to seek consultation from the agency.

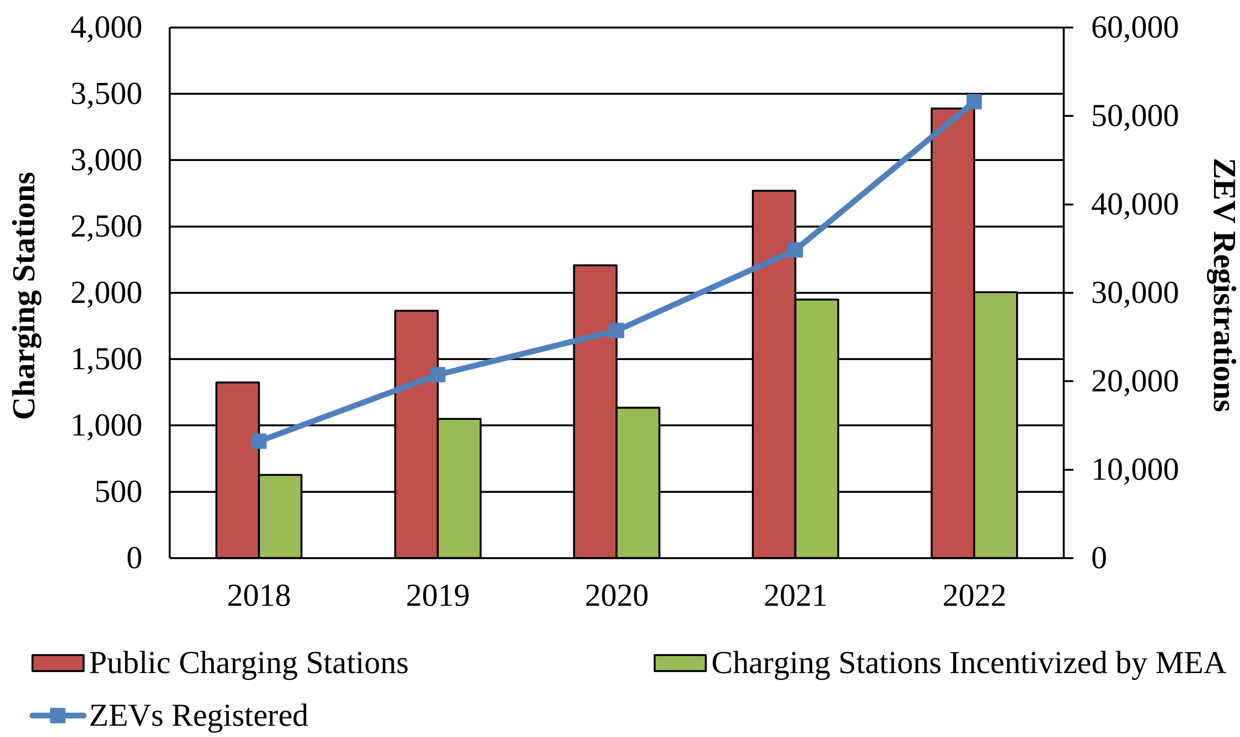
National Electric Vehicle Infrastructure Plan

As part of the IIJA, approximately $63 million has been allocated to Maryland under the National Electric Vehicle Infrastructure (NEVI) Formula Program to provide dedicated funding for the strategic deployment of electric vehicle charging infrastructure along designated alternative fuel corridors (AFC). Although the funds will be administered by MDOT, MEA collaborated with MDOT and other partners and stakeholders to develop the *2022 Maryland State Plan for NEVI Formula Funding Deployment*, which describes how program funds are intended to be used and was required to be submitted in order to access the State's funding allocation. The plan was submitted to the Joint Office of Energy and Transportation in July 2022, and Maryland was among the first 35 states receiving plan approval in September 2022. Further discussion regarding the designation of AFCs is included in the budget analysis for MDOT – State Highway Administration – J00B01.

The NEVI program will supplement other existing State programs related to incentivizing the adoption of electric vehicles and the development of electric vehicle charging infrastructure, including the EVSE rebate program, and a pilot program authorized by PSC for investor-owned utilities to install publicly available charging stations across the State. The EVSE program generally provides incentives of up to 40% of total costs incurred acquiring and/or installing charging stations and up to $700 for individuals, $4,000 for business entities and units of State and local government, and up to $5,000 for a retail service station dealer. In fiscal 2022, $1.8 million is available through this program. Additionally, as re-established by Chapter 234, the State Zero-Emission Vehicle Excise Tax Credit allows individuals to claim an excise tax credit generally equivalent to $3,000 for each ZEV purchased.

As shown in **Exhibit 13**, through current program offerings, MEA has incentivized a total of approximately 2,000 charging stations as of fiscal 2022, and a total of 3,390 charging stations were publicly available statewide. Deployment of electric vehicle charging infrastructure is consistent with the steady growth in ownership of ZEVs over the past five years. At the end of fiscal 2022, there were over 51,600 ZEVs registered in Maryland, compared to 13,200 ZEVs registered at the end of fiscal 2018.

Exhibit 13
Electric Vehicle Registrations and Chargers
Fiscal 2018-2022



MEA: Maryland Energy Administration
ZEV: zero-emission vehicle

Source: Maryland Energy Administration

IRA

The IRA was signed into law by President Biden on August 16, 2022. Provisions of the IRA relating to energy policy include a combination of tax credits, grant funding, loans, rebates, and other incentives to support investments in domestic energy production through the promotion of clean energy. Over two dozen tax provisions in the IRA are directed to individuals and businesses to reduce energy bills, accelerate the deployment of clean energy, clean buildings, clean vehicles, and clean manufacturing. These include production tax credits and investment tax credits for the generation of electricity through renewable sources, as well as incentives to individuals for improving home energy efficiency or purchasing electric vehicles.

In addition to these tax credits, several programs are directed toward state energy offices or include state and local governments as eligible recipients. As Maryland's State energy office, MEA is the applicant for two main rebate programs.

- ***The Home Energy Performance-Based, Whole-House Rebate Program:*** This program will fund a rebate program for homeowners for whole-house energy-saving retrofits. Rebates for energy efficiency retrofits range from $2,000 to $4,000 for individual households and up to $4,000 for multifamily buildings and are based on the amount of energy savings achieved through the retrofit, with maximum rebates for LMI homes.

- ***The High-Efficiency Electric Home Rebate Program:*** This program will fund a rebate program for appliance and non-appliance upgrades to eligible entities, including LMI households; owners of certain multifamily buildings; or governmental, commercial, or nonprofit entities. Rebates are means tested and will provide 50% of the cost of upgrades for households with incomes between 80% to 150% of area median income and 100% of the cost of upgrades for incomes below 80% of area median income. Rebates are capped at $14,000 per household, with an $8,000 cap for heat pump costs, $1,750 cap for a heat pump water heater, and a $4,000 cap for panel/service upgrades.

In November 2022, DOE announced individual funding allocations for states and territories for both programs. Maryland's allocation under the two programs totals $136.8 million, including $68.6 million for the Home Energy Performance-Based, Whole-House Rebate Program and $68.2 million for the High-Efficiency Electric Home Rebate Program. Funding for both programs is available for use through the end of federal fiscal 2031. In order to access funding, state energy offices will be required to submit an application outlining how the funding will be used to implement rebate programs that are compliant with federal requirements. It is anticipated that following the issuance of federal guidance to states by DOE on the requirements of both programs, states will have discretion within the federal guidelines for the development and implementation of each program. As of February 2023, DOE has not begun to accept applications from state energy offices for either program. DOE anticipates that as further federal guidance is developed, funding will become available to states by spring 2023.

Other competitive grant funding in the IRA builds on funding included in the IIJA, including the Greenhouse Gas Reduction Fund, which provides grants, loans, and other financial or technical assistance to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies and other greenhouse gas emission reduction activities and other programs to reduce pollution and invest in disadvantaged communities.

Due to both the overall size of available federal funding and the number of programs available for both state and non-state entities through the IIJA and the IRA, MEA should comment on

- **the status of applications made for funding by State and non-State entities in Maryland under both pieces of legislation; and**

- **when funds allocated to the State are expected to be appropriated.**

DLS also recommends adopting committee narrative requesting a report on the implementation of the two residential rebate programs under the IRA.

Operating Budget Recommended Actions

		Amount Change	
1.	Increase turnover expectancy for 10 new positions from 0% to 25% to be consistent with budgeted turnover for new positions.	-$ 208,465	SF

2. Adopt the following narrative:

Strategic Energy Investment Fund (SEIF) Revenue, Spending, and Fund Balance: The committees are interested in ensuring transparency in Regional Greenhouse Gas Initiative (RGGI) revenue assumptions and spending included in the budget as well as available fund balance. The committees request that the Department of Budget and Management (DBM) provide an annual report on the revenue from the RGGI carbon dioxide emissions allowance auctions, set-aside allowances, and interest income in conjunction with the submission of the fiscal 2025 budget as an appendix to the Governor's Fiscal 2025 Budget Books. The report shall include information on the actual fiscal 2023 budget, the fiscal 2024 working appropriation, and the fiscal 2025 allowance. The report shall detail:

- revenue assumptions used to calculate the available SEIF from RGGI auctions for each fiscal year, including the number of auctions, the number of allowances sold, the allowance price in each auction, and the anticipated revenue from set-aside allowances;
- interest income received on the SEIF;
- amount of the SEIF from RGGI auction revenue available to each agency that receives funding through each required statutory allocation; dues owed to RGGI, Inc.; and transfers or diversions of revenue made to other funds; and
- fund balances for each SEIF subaccount, reflecting funds available to spend, for the fiscal 2023 actual, the fiscal 2024 working appropriation, and the fiscal 2025 allowance.

Information Request	**Author**	**Due Date**
Report on revenue assumptions and use of RGGI auction revenue	DBM	With submission of the Governor's Fiscal 2025 Budget Books

3. Adopt the following narrative:

Maryland Gas Expansion Fund Activities: The fiscal 2024 allowance includes $9.3 million of funds from the Maryland Gas Expansion Fund. The committees request that the Maryland Energy Administration (MEA) submit a report providing information on the status of the application process, including applications received, evaluation criteria, and awards made. The report should include final end-of-year data for fiscal 2023 as well as year-to-date data for fiscal 2024. If awards have not been made as of the submission of the report, it should instead include information about the planned timeline for determining awards.

Information Request	**Author**	**Due Date**
Maryland Gas Expansion Fund update	MEA	December 1, 2023

4. Adopt the following narrative:

Implementation of Residential-focused Rebate Programs Funded through the Federal Inflation Reduction Act (IRA): The committees are interested in better understanding the two new residential rebate programs that will be implemented by the Maryland Energy Administration (MEA) under federal stimulus funds available to Maryland under the IRA and the timelines for the implementation of these programs. The U.S. Department of Energy (DOE) has announced a total funding allocation of $138.6 million available to the State for the Home Energy Performance-Based, Whole-House Rebate Program and the High-Efficiency Electric Home-Rebate Program. Following issuance of federal guidance by DOE, MEA will be required to submit an application outlining a State plan for program implementation in order to be able to access funding. The committees request that MEA submit a report that includes a discussion of the timeline for submitting a State plan application to DOE to access federal IRA funding and the anticipated steps needed to implement the programs. If available at the time of report submission, the report should include a discussion of components of both programs and any estimates for the total number of households who will be eligible to receive benefits as well as benefit size.

Information Request	**Author**	**Due Date**
Report on the status of implementation of residential-focused rebate programs through federal stimulus funding	MEA	December 15, 2023

Total Special Fund Net Change **-$ 208,465**

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 *Joint Chairmen's Report* (JCR) requested that MEA prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Maryland Gas Expansion Fund Activities:*** A report was submitted providing an update on awards issued in fiscal 2022 and the application process for awards in fiscal 2023 from the Maryland Gas Expansion Fund for the MEIP. In fiscal 2022, 10 grants totaling $7.5 million were awarded through the MEIP to a combination of businesses, local municipalities, public schools, and LDCs. MEA has received 8 applications for MEIP grants in fiscal 2023 and is currently evaluating applications and plans to announce grants awarded under the program in early calendar 2023. Further discussion of the MEIP can be found in the budget discussion section of this analysis.

Appendix 2
Object/Fund Difference Report
Maryland Energy Administration

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 - FY 24 Amount Change	Percent Change
Positions					
01 Regular	30.00	31.00	41.00	10.00	32.3%
02 Contractual	7.00	10.00	16.00	6.00	60.0%
Total Positions	**37.00**	**41.00**	**57.00**	**16.00**	**39.0%**
Objects					
01 Salaries and Wages	$ 4,133,613	$ 4,466,206	$ 5,693,667	$ 1,227,461	27.5%
02 Technical and Special Fees	618,484	751,158	1,204,982	453,824	60.4%
03 Communication	33,903	31,900	41,900	10,000	31.3%
04 Travel	76,916	106,370	78,000	-28,370	-26.7%
07 Motor Vehicles	180	1,880	180	-1,700	-90.4%
08 Contractual Services	3,015,871	11,306,289	10,196,007	-1,110,282	-9.8%
09 Supplies and Materials	29,189	5,000	10,000	5,000	100.0%
10 Equipment – Replacement	17,782	28,750	37,500	8,750	30.4%
11 Equipment – Additional	32,262	7,000	7,000	0	0%
12 Grants, Subsidies, and Contributions	60,795,024	114,970,000	145,675,000	30,705,000	26.7%
13 Fixed Charges	344,902	345,914	380,399	34,485	10.0%
14 Land and Structures	1,186,007	1,750,000	4,200,000	2,450,000	140.0%
Total Objects	**$ 70,284,133**	**$ 133,770,467**	**$ 167,524,635**	**$ 33,754,168**	**25.2%**
Funds					
03 Special Fund	$ 69,122,383	$ 132,342,526	$ 165,938,316	$ 33,595,790	25.4%
05 Federal Fund	1,011,317	1,250,333	1,388,336	138,003	11.0%
09 Reimbursable Fund	150,433	177,608	197,983	20,375	11.5%
Total Funds	**$ 70,284,133**	**$ 133,770,467**	**$ 167,524,635**	**$ 33,754,168**	**25.2%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments that are budgeted in the Department of Budget and Management.

Appendix 3
Fiscal Summary
Maryland Energy Administration

Program/Unit	FY 22 Actual	FY 23 Wrk Approp	FY 24 Allowance	Change	FY 23 - FY 24 % Change
01 General Administration	$ 5,999,965	$ 6,545,467	$ 8,399,635	$ 1,854,168	28.3%
02 The Jane E. Lawton Conservation Loan Program – Capital Appropriation	1,186,007	1,750,000	4,200,000	2,450,000	140.0%
06 Energy Efficiency and Conservation Programs, Low- and Moderate income Residential Sector	15,642,172	20,000,000	20,000,000	0	0%
07 Energy Efficiency and Conservation Programs, All Other Sectors	7,792,593	15,925,000	31,575,000	15,650,000	98.3%
08 Renewable and Clean Energy Programs and Initiatives	39,663,396	89,550,000	103,350,000	13,800,000	15.4%
Total Expenditures	**$ 70,284,133**	**$ 133,770,467**	**$ 167,524,635**	**$ 33,754,168**	**25.2%**
Special Fund	$ 69,122,383	$ 132,342,526	$ 165,938,316	$ 33,595,790	25.4%
Federal Fund	1,011,317	1,250,333	1,388,336	138,003	11.0%
Total Appropriations	**$ 70,133,700**	**$ 133,592,859**	**$ 167,326,652**	**$ 33,733,793**	**25.3%**
Reimbursable Fund	$ 150,433	$ 177,608	$ 197,983	$ 20,375	11.5%
Total Funds	**$ 70,284,133**	**$ 133,770,467**	**$ 167,524,635**	**$ 33,754,168**	**25.2%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not salary adjustments budgeted in the Department of Budget and Management.