

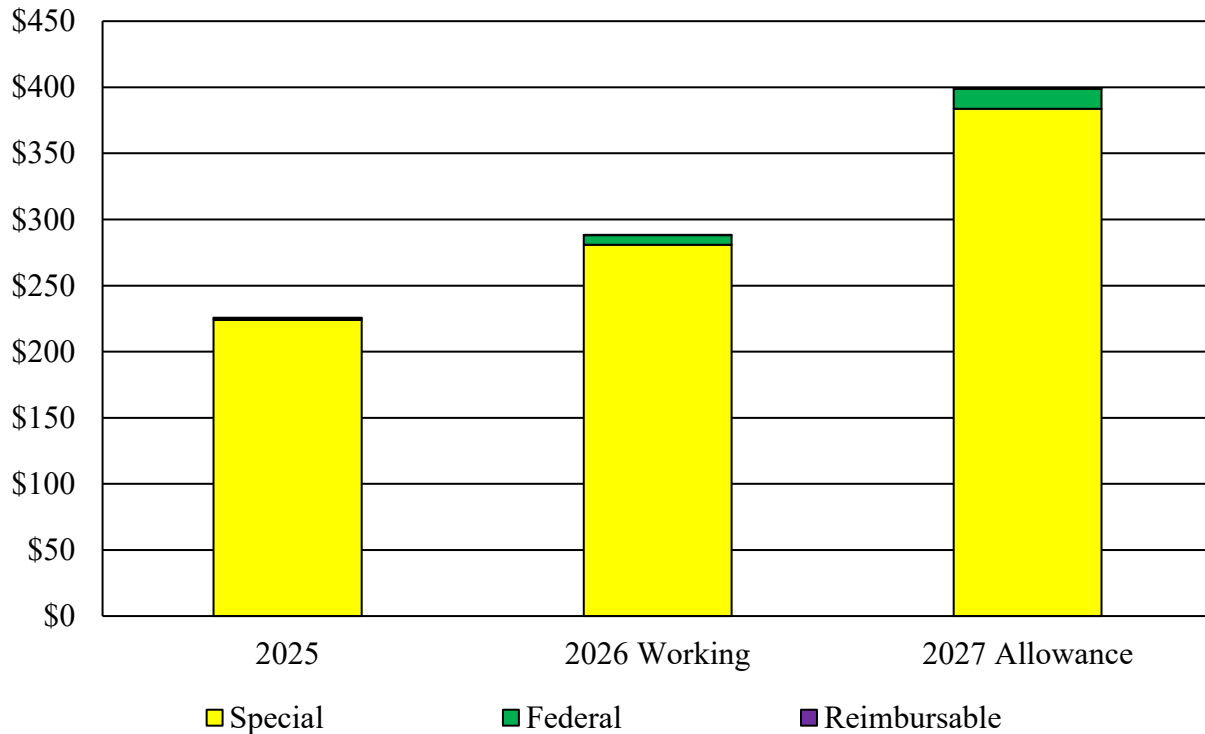
D13A13
Maryland Energy Administration

Executive Summary

The Maryland Energy Administration (MEA) conducts energy policy planning activities and administers a suite of programs that advance the agency’s mission of promoting clean, affordable, and reliable energy while also pursuing the State’s overall energy policy goals. In addition, MEA administers Maryland’s Strategic Energy Investment Fund (SEIF), which supports the majority of MEA programming as well as SEIF-funded programs implemented by other State agencies.

Operating Budget Summary

**Fiscal 2027 Budget Increases \$111.1 Million, or 38.5%, to \$399.4 Million
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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- Half (\$198.0 million) of the fiscal 2027 allowance is sourced from Alternative Compliance Payments (ACP) deposited to the SEIF under the State’s Renewable Portfolio Standard (RPS) program with an additional 44%, or \$175.8 million, consisting of revenues from Regional Greenhouse Gas Initiative (RGGI)-sourced SEIF.
- The total fiscal 2027 allowance (\$399.4 million) is approximately 76.9% more than total fiscal 2025 actual spending (\$173.7 million). Compared to the fiscal 2026 working appropriation, the fiscal 2027 allowance increases by 38.5%.

Key Observations

- ***RGGI Auction Revenue Levels Remain Elevated:*** In fiscal 2025, Maryland received a total of \$267.5 million in revenues from RGGI program auctions, the highest yearly total in program history. Auction 70, held in December 2025, resulted in the highest auction clearing price in the history of the RGGI program at \$26.73 per allowance. Through the first half of fiscal 2026, Maryland received a total of \$135.3 million in revenues from RGGI auctions, putting revenue on pace to reach the fiscal 2025 total. Due to high balances, the fiscal 2027 budget accounts for expanded use of revenue both within allowable uses and actions that are contingent on legislation expanding the allowable uses.
- ***SEIF Revenue Sourced from ACPs:*** The fiscal 2027 allowance for MEA includes over \$198.0 million in ACP-sourced SEIF, an increase of \$50.0 million from the fiscal 2026 working appropriation. Of the \$198.0 million, \$100.0 million is contingent on enactment of legislation expanding authorized uses of ACP revenues in the SEIF. In addition to ACP funds used in MEA, the fiscal 2027 budget provides an additional \$212 million from the ACP balance in the SEIF for various purposes contingent on the enactment of legislation, as well as a proposed transfer of \$259.0 million to the General Fund by the Budget Reconciliation and Financing Act (BRFA) of 2026. Combined, these actions are expected to lead to a minimal balance at the end of fiscal 2027
- ***Current and Future Federal Funding Is Available from the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA):*** The fiscal 2027 allowance includes an initial portion of federal funding available to MEA through the U.S. Department of Energy (DOE) based on funds available from the IIJA. Specifically, \$9.1 million in federal funding is available from the State Energy Program (SEP), including both the regular funding and IIJA additional funding, \$4.1 million from the Preventing Outages and Enhancing Resilience of the Electric Grid program, and \$1.8 million from the Energy Efficiency and Conservation Block Grant Program. Through the IRA, MEA has been conditionally approved for three programs.

Operating Budget Recommended Actions

1. Add specific language for the special fund appropriation to closely align with the applicable legislation that provides the funds for gap financing initiative.
2. Add specific language for the special fund appropriation to closely align with the applicable legislation that provides the funds for creation of new Tier 1 energy sources.
3. Strike contingent language associated with the special fund appropriation.
4. Add language restricting special funds until a report is submitted providing the Maryland Energy Administration’s budget in detail.
5. Add language restricting funds in the Maryland Energy Administration pending submission of a report on special and federal fund expenditures, cancellations, and encumbrances.
6. Add language making special fund appropriation for certain programs contingent on enactment of legislation expanding the authorized uses of Alternative Compliance Payments.
7. Adopt committee narrative requesting annual reporting on Strategic Energy Investment Fund revenue, spending, and fund balance.
8. Adopt committee narrative requesting a report on federal funding available from the Infrastructure Investment and Jobs Act and the Inflation Reduction Act.
9. Adopt committee narrative requesting a report on Alternative Compliance Payments revenues provided to the Maryland Energy Administration.

Budget Reconciliation and Financing Act Recommended Actions

1. Strike language authorizing funds from the Renewable Portfolio Standard/Alternative Compliance Payment Account of the Strategic Energy Investment Fund to provide \$20.0 million to the Department of General Services and \$30.0 million to the Maryland Energy Administration for creation of new Tier 1 renewable energy sources, \$10.0 million to the Maryland Department of Transportation for transmission infrastructure, and \$15.0 million to the Public Service Commission for grid-enhancing and transmission technologies that also relate to expanded authorizations in separate legislation to avoid duplication and potentially conflicting outcomes.

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2. Strike language authorizing funds from the Renewable Portfolio Standard/Alternative Compliance Payment Account of the Strategic Energy Investment Fund transferred to the Dedicated Purpose Account to provide \$42.0 million for higher education research grants which were recommended to be deleted in the analysis for Y01A – State Reserve Fund.

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Operating Budget Analysis

Program Description

MEA conducts energy policy planning activities for a variety of energy sources and advises the Governor’s Office on energy policy matters. MEA administers a suite of programs targeting energy efficiency, resiliency, and growth in clean energy that is affordable and reliable. MEA programming supports the State’s overall clean energy and greenhouse gas emission reduction goals while benefiting Maryland residents in an equitable manner. MEA programs are targeted toward State and local governments, nonprofit organizations, residential consumers, businesses, and industrial consumers. Certain MEA programming specifically targets low- and moderate-income (LMI) residents and disadvantaged or underserved communities. Some of the agency’s key goals include:

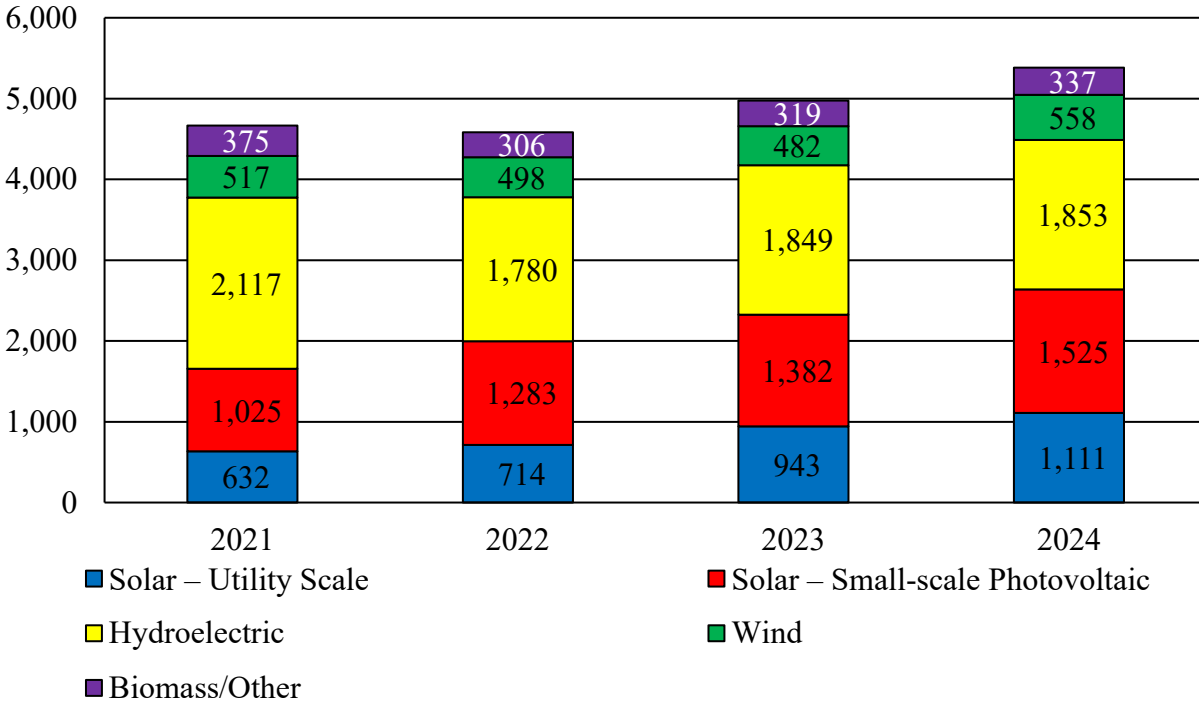
- promoting energy efficiency and energy conservation to reduce overall energy demand;
- providing incentives to cost-effective projects that result in energy savings and greenhouse gas emission reductions;
- promoting the development and expansion of in-state renewable energy generation to increase electric generation fuel diversity; and
- supporting the diversification of Maryland’s transportation network by encouraging the adoption of alternative fuel and electric vehicles (EV).

Performance Analysis: Managing for Results

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

According to the U.S. Energy Information Agency, in calendar 2024, a total of 85.6% of Maryland’s in-state electricity generation was generated from nonrenewable sources, including nuclear (39.5%), natural gas (38.0%), and coal (6.6%). In calendar 2024, the most recent actual data available, 14.4% of in-state electricity generation was sourced from renewable energy sources. As shown in **Exhibit 1**, in calendar 2024, in-state renewable energy generation totaled 5,384 megawatt hours (MWh), an increase of approximately 945 MWh (17.6%) compared to the previous year. The overall increase in calendar 2024 was primarily due to an increase in utility-scale solar generation of 168 MWh. Total solar energy generation (both utility-scale and small-scale photovoltaic) increased by 311 MWh from 2,325 MWh to 2,636 MWh during calendar 2024 and accounted for the largest share of in-state renewable energy generation.

Exhibit 1
In-state Renewable Energy Generation
Calendar 2021-2024
(in Megawatt Hours)

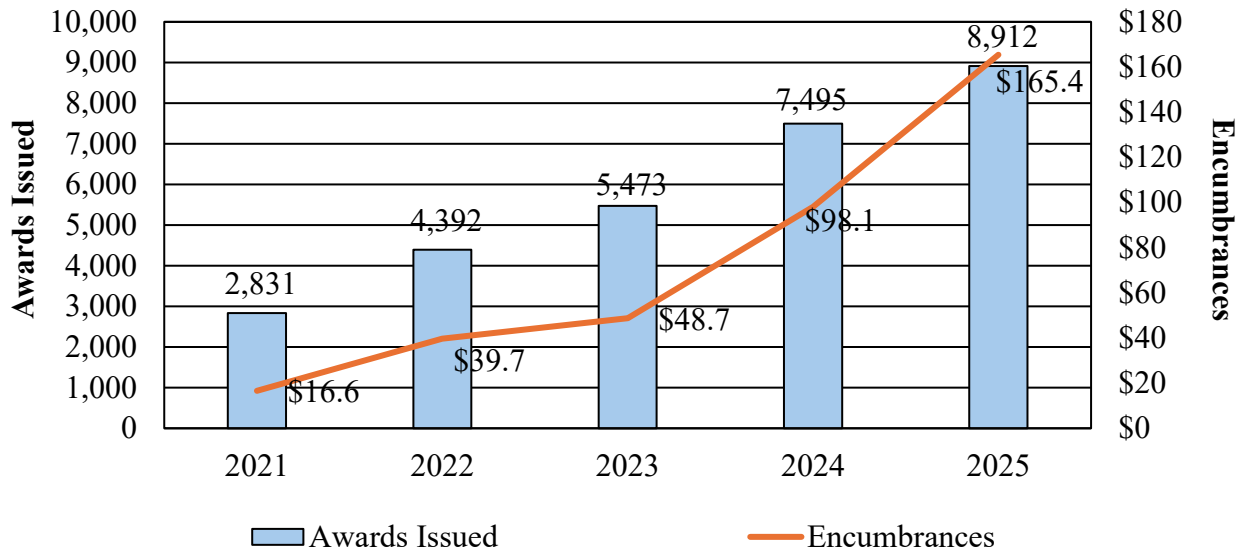


Source: Maryland Energy Administration; U.S. Energy Information Agency

2. Awards Issued to Incentivize In-state Renewable Energy Generation

In recent years, MEA spending on renewable and clean energy programs and initiatives has made up the largest share of the MEA budget and the greatest number of individual programs and awards offered. Funding budgeted for renewable and clean energy programs and initiatives has increased significantly since fiscal 2021 due to increased availability of SEIF revenues, including ACP which must be spent on renewable energy. As shown in **Exhibit 2**, total encumbrances increased by \$67.4 million in fiscal 2025 compared to fiscal 2024 to a total of \$165.4 million. In fiscal 2025, MEA awarded a total of 8,912 grants to individuals, businesses, local governments, and other entities to incentivize in-state renewable energy generation from a variety of sources, an increase of 1,417 grants, or 18.9%, from the total number of grants awarded in fiscal 2024. Between fiscal 2021 and 2025, the total number of grants awarded has increased by 214.8% (6,081 grants). MEA notes that the majority of grants awarded are made under the Maryland Solar Access Program, the Community Solar Program, and the Commercial and Canopy Solar Program.

Exhibit 2
Awards Issued to Promote Renewable and Clean Energy
Fiscal 2021-2025
(\$ in Millions)



Source: Department of Budget and Management; Maryland Energy Administration

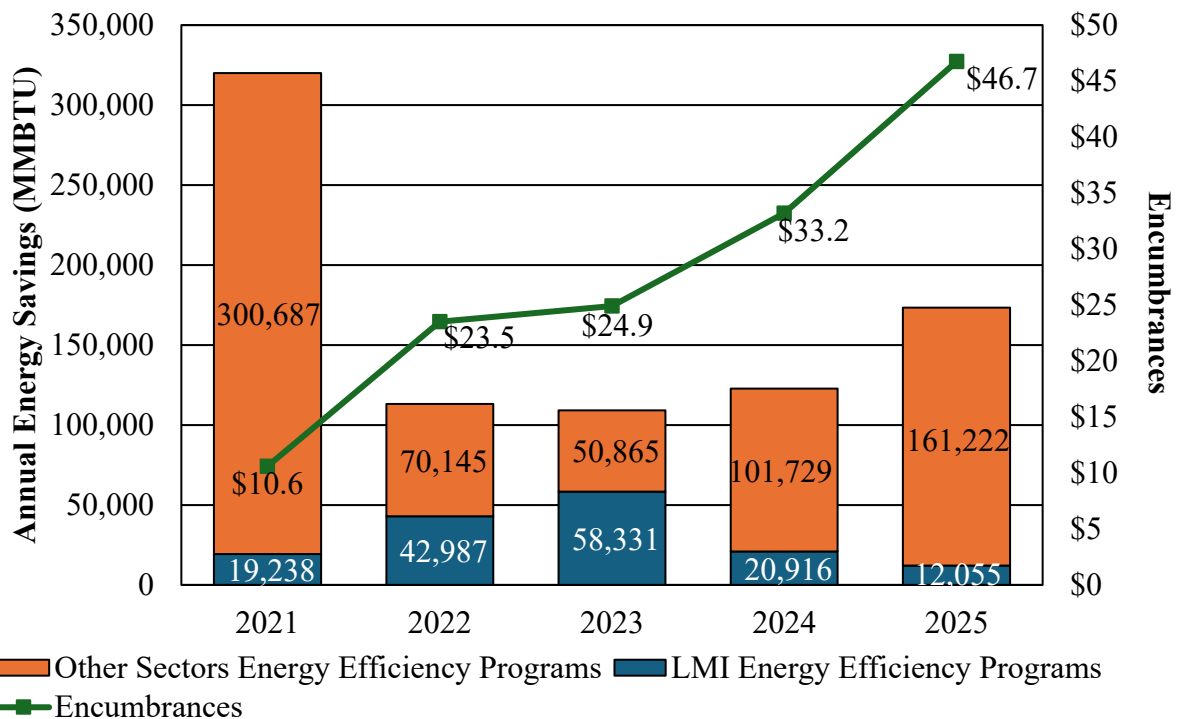
3. Energy Savings from Energy Efficiency Programs

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

Total encumbrances for energy efficiency programs across both the LMI and non-LMI sectors increased by \$13.5 million in fiscal 2025 compared to fiscal 2024 to \$46.7 million. As shown in **Exhibit 3**, MEA anticipates an increase of 41.3% in overall energy savings in fiscal 2025 from projects funded that year. Individually, energy saving from LMI energy efficiency programs are anticipated to decrease by 42.4%, and energy saving from other sectors energy efficiency programs are anticipated to increase by 58.5%. MEA notes that in recent years, energy efficiency programs like Commercial, Industrial, and Agricultural (CI&A) Energy Efficiency Program have focused more on electric and zero direct emissions technologies rather than energy efficiency upgrades involving fossil fuel technologies, which causes the relative type and magnitude of energy savings for programs to be less certain. The largest programs in the energy efficiency sector

offered by MEA in fiscal 2025 include the Decarbonizing Schools Program, the CI&A Grant Program, and the Maryland Smart Energy Communities Program. **MEA should discuss the reason for the anticipated decrease in energy savings from LMI energy efficiency programs despite higher spending in fiscal 2025.**

Exhibit 3
Energy Savings from Energy Efficiency Programs
Fiscal 2021-2025
(\$ in Millions)



LMI: low- and moderate-income

MMBTU: Metric Million British Thermal Units

Note: Fiscal 2025 encumbrances reflect actuals, while energy savings are estimates.

Source: Department of Budget and Management; Maryland Energy Administration

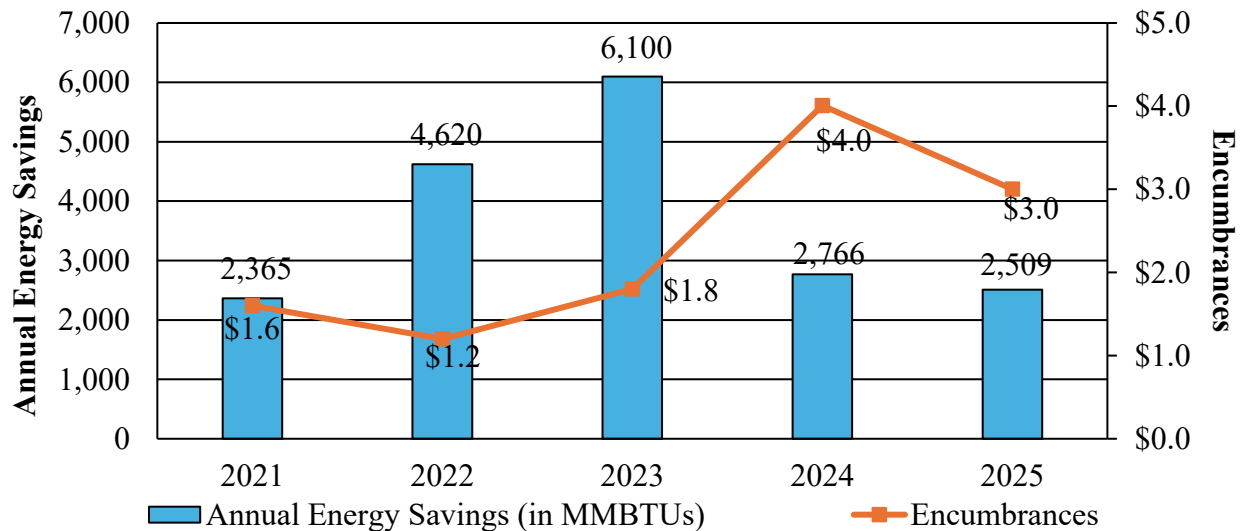
4. Energy Savings from Jane E. Lawton Conservation Loan Program

The Jane E. Lawton Conservation Loan Program (JELLP) provides loans to Maryland nonprofit organizations, units of local government, businesses, and State agencies to fund the implementation of cost-effective energy efficiency and conservation improvements at existing

facilities or as part of new construction. In fiscal 2026, interest rates are 0% for all units of State and local government and their instrumentalities; 2% for a traditional loan; and 3% for a microloan for all commercial, nonprofit, or nonpublic facilities applicants. Loans are generally offered on a first-come, first-served basis for qualifying borrowers subject to funding availability. However, due to the historically higher demand from State agencies for loans compared to demand from non-State and local government entities, in fiscal 2026, the JELLP set aside a larger portion of funds for State agencies during the first 90 days of the fiscal year. Specifically, \$2.1 million of the funds are reserved for State agencies, and the remaining portion of funding not reserved for State agencies during the first 90 days of the fiscal year is reserved for nonprofit borrowers during this time. After the first 90 days, these restrictions are lifted, and available funding is made available to all qualified applicants. This structure ensures that funding is efficiently utilized.

Exhibit 4 presents data on annual energy savings and spending for the JELLP. In fiscal 2022, the notably higher energy savings achieved compared to other fiscal years was achieved primarily due to a single large indoor agricultural project with high energy savings that also received a grant under the CI&A Grant Program that year. In fiscal 2025, JELLP loan funds were awarded to one State agency and two private entities. To date in fiscal 2026, MEA has received five applications, all of which are private entities.

Exhibit 4
JELLP Energy Services
Fiscal 2021-2025
(\$ in Millions)



JELLP: Jane E. Lawton Conservation Loan Program

MMBTU: Metric Million British Thermal Unit

Source: Department of Budget and Management; Maryland Energy Administration

Fiscal 2025

At fiscal 2025 closeout, MEA canceled a total of \$39.0 million. Of these cancellations, about \$19.3 million were in special funds, \$19.7 million were in federal funds, and \$1,913 were in reimbursable funds. Although MEA reported these cancellations were due to lack of sufficient applications for grants and awards, MEA did not provide breakdown of the canceled funds by program. Although first requested in September 2025, MEA did not provide explanations for cancellations until February 14, 2026. Due to the timing of provision, the Department of Legislative Services (DLS) did not have time to analyze or ask questions about the provided information. Given the growth in appropriations, delayed information on the reasons and areas of canceled appropriation makes it challenging to understand the need for various programs. **MEA should discuss the programs and associated canceled funds. MEA should comment on its efforts to fully utilize the authorized amounts. DLS recommends adding language restricting funds in the fiscal 2027 budget pending submission of a report providing explanations of canceled funds at fiscal 2026 closeout.**

Fiscal 2026

Proposed Deficiency

The fiscal 2027 Budget Bill includes reduction of \$270,000 in special funds for MEA. This reduction is associated with realigning funds to the Comptroller's Office to fund a study about the total assessed cost of greenhouse gas emissions, as required by Chapter 2 of the 2025 special session.

Use of \$100 Million Transferred from the SEIF for MEA and the Maryland Department of Transportation

The fiscal 2026 Budget Bill provided a \$50.0 million appropriation to MEA for local government clean energy projects and a \$50.0 million appropriation to the Maryland Department of Transportation (MDOT) for solar energy projects on State government property, contingent on the enactment of legislation authorizing these uses. The BRFA of 2025 authorized the use of this \$100 million combined for these purposes in fiscal 2026 only. Committee narrative in the 2025 *Joint Chairmen's Report* (JCR) requested that MEA and MDOT jointly submit a report outlining planned uses of this funding.

- **Local Government Energy Modernization (L-GEM):** \$50.0 million provided to MEA will be provided to local governments through noncompetitive formula block grants for counties and competitive grants for municipalities and towns, for qualifying renewable energy projects. MEA has received L-GEM applications from 22 of the 24 Maryland county governments.
- **MDOT:** The report notes that MEA and MDOT are outlining the allowable uses of the \$50.0 million provided to MDOT. Allowable measures will potentially include

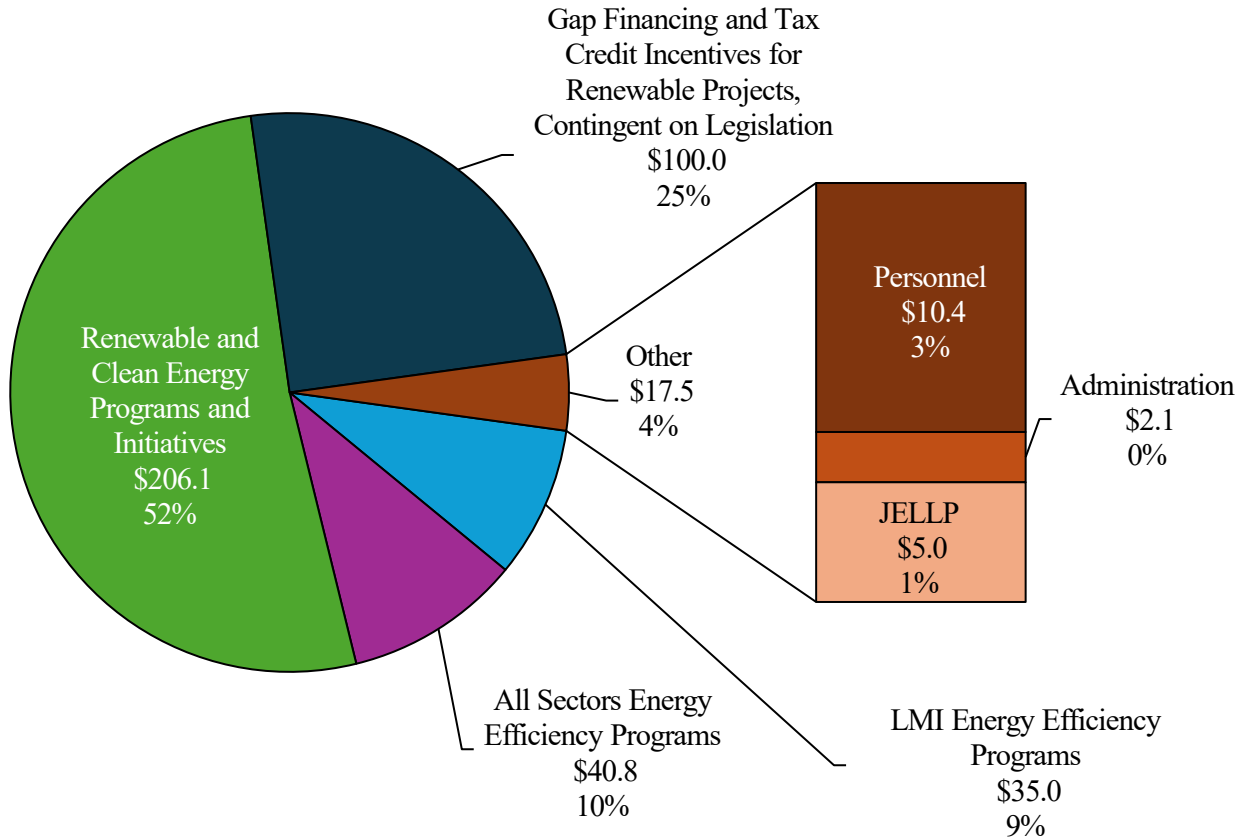
roof-mounted and ground-mounted solar photovoltaic and solar canopies. The report also notes that MDOT is exploring potential solar sites for the program. The *Consolidated Transportation Program* submitted for fiscal 2026 through 2031 anticipates the majority of these funds will be used in fiscal 2027 (\$40 million) with the remainder used in fiscal 2028 (\$9.5 million) and fiscal 2026 (\$500,000).

The report also provided an update on the \$90 million of SEIF balance transferred to the Dedicated Purpose Account (DPA) in fiscal 2025, which is discussed in Update 1 of this analysis.

Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance for MEA totals \$399.4 million. As shown in **Exhibit 5**, the largest share of the fiscal 2027 allowance consists of renewable and clean energy programs and initiatives at \$306.1 million (77%) of the total budget, which is an increase of \$95.3 million, or 45.2%, from fiscal 2026. Of the total amount budgeted for renewable and clean energy programs and initiatives, \$100.0 million is contingent on legislation expanding allowable use of ACP funds. Within this program, the largest area of spending is for solar energy-related programs, which total \$104.5 million. The remainder of the fiscal 2027 allowance for renewable and clean energy programs and initiatives are associated with following programs: \$70.0 million to gap finance large-scale energy projects impacted by federal policy changes; \$30.5 million for transportation; \$30.5 million for buildings impacted by the building energy performance standards; \$12.7 million in federal funds; \$13.3 million for programs related to innovation; \$6.2 million for the Maryland Clean Energy Center (MCEC); \$5.0 million for offshore wind-related programs; and \$33.4 million for other programs. A detailed breakdown of these programs is included in Issue 1 and 2 of this analysis.

**Exhibit 5
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)**



JELLP: Jane E. Lawton Conservation Loan Program
LMI: low- and moderate-income

Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2027 Budget Books

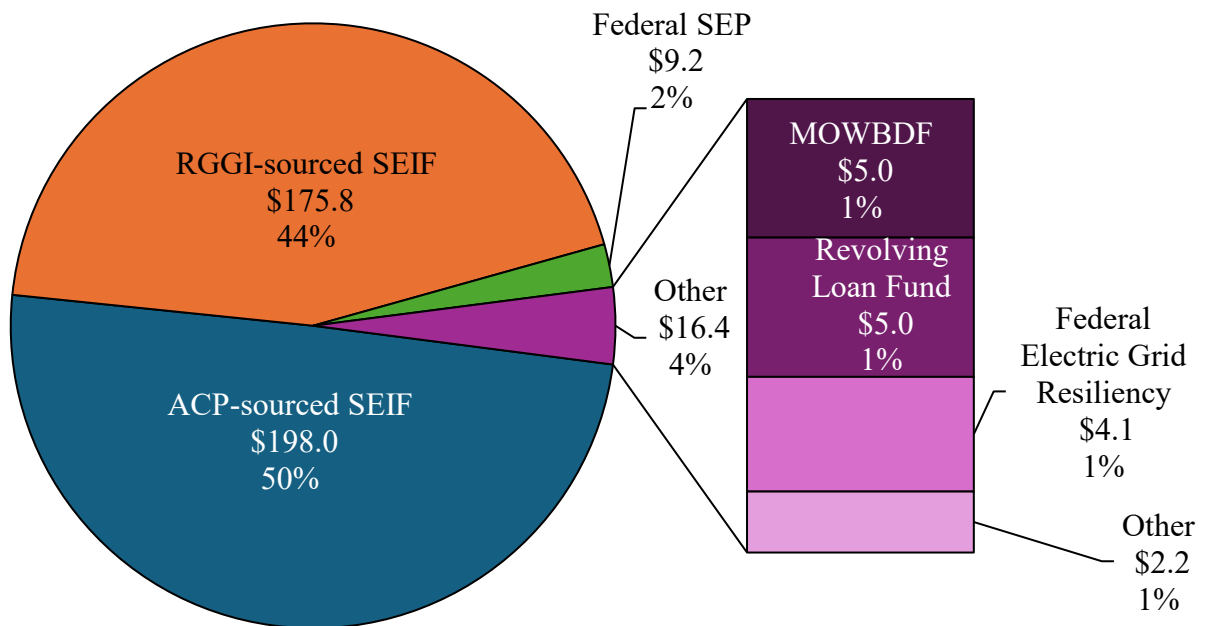
Outside of renewable and clean energy programs and initiatives, energy efficiency programs (LMI and all sectors) total \$75.8 million (19%) of the fiscal 2027 allowance. Of this total, \$35.0 million supports LMI energy efficiency grants through the Energy Efficiency Equity Grant Program, and \$40.8 million supports energy efficiency programs in all other sectors. The all

other sectors program includes funding for grants made under programs including the CI&A Grant Program, a portion of L-GEM, a portion of the OPEN Energy Innovation Grant Program, a portion of school decarbonization grants, and industrial efficiency.

Agency Spending by Source

As shown in **Exhibit 6**, SEIF sourced from ACPs required under the State’s RPS program totals \$198.0 million (50%) and is the largest source of funding in the fiscal 2027 allowance. SEIF sourced from RGGI program revenues totals \$175.8 million (44%) of the fiscal 2027 allowance.

Exhibit 6
Spending by Source
Fiscal 2027
(\$ in Millions)



ACP: Alternative Compliance Payment
MOWBDF: Maryland Offshore Wind Business Development Fund
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund
SEP: State Energy Program

Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2027 Budget Books

The non-RGGI-sourced special fund revenues budgeted in fiscal 2027 must be used as directed in statute or the Public Service Commission (PSC) order creating the source.

- ***RPS ACP:*** Under the State’s RPS program, electric utilities and other electricity suppliers must demonstrate compliance with requirements for sourcing percentages of electricity sold in Maryland from renewable sources. Electricity suppliers are required to submit Renewable Energy Credits (REC) equal to the percentages specified in statute each calendar year or pay an ACP equivalent to their shortfall, deposited to the SEIF. RPS ACP usage is further discussed in Issue 1 of this analysis.
- ***Maryland Offshore Wind Business Development Fund (MOWBDF):*** Created through the Offshore Wind Energy Act of 2013 (Chapter 3), the MOWBDF is a separate special fund that received seed funds from the Offshore Wind Development Fund and under statute also receives required contributions (\$2 million annually for three fiscal years) when there are applications for Offshore Wind Renewable Energy Credits approved by PSC. The fiscal 2027 allowance includes \$5.0 million from this fund. MEA reported that the balance of the MOWBDF was \$19.6 million, which accounts for fiscal 2026 expenditures to date but does not account for encumbrances in fiscal 2026.

SEIF Balance for Non-RGGI-sourced Subaccounts

As shown in **Exhibit 7**, at the close of fiscal 2025, the balance of non-RGGI-sourced SEIF subaccounts, excluding RPS/ACP, totaled \$11.9 million, representing reported cash balances at the end of the fiscal year. After accounting for any funds that may already be committed through encumbrances, the fund balance totals \$4.8 million. Balance in fiscal 2026 and 2027, after accounting for encumbrances and assuming full utilization of appropriated funds, are estimated to be \$3.6 million and \$3.5 million, respectively. The fiscal 2027 allowance does not utilize the funds available in these subaccounts, with the exception of a minimal amount (\$80,000) from the offshore wind development account. **MEA should discuss the plan for expending remaining funds in these accounts.**

Exhibit 7
Estimated Non-RGGI-sourced SEIF Fund Balance
Fiscal 2025-2027
(\$ in Millions)

	<u>2025</u>	<u>2025</u> <u>(Less Encumbrances)</u>	<u>2026</u>	<u>2027</u>
Offshore Wind Development	\$2.6	\$1.4	\$0.2	\$0.2
Exelon Animal-Waste-to-Energy ACP	1.2	0.7	0.7	0.7
Pepco/Exelon Merger Most Favored Nation Provision	1.0	1.0	1.0	1.0
AltaGas/WGL Settlement (Maryland Gas Expansion Fund)	7.1	1.6	1.6	1.6
Non-RGGI-sourced Subaccounts	\$11.9	\$4.8	\$3.6	\$3.5

ACP: Alternative Compliance Payment
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Note: Fiscal 2026 and 2027 estimated balances are the net of encumbrances and assume the full utilization of the fiscal 2026 and 2027 appropriation.

Source: Governor’s Fiscal 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 8**, the fiscal 2027 allowance for MEA increases by \$111.1 million (38.5%) compared to the fiscal 2026 working appropriation. The primary areas of increase are renewable and clean energy programs and initiatives, which increase by \$95.0 million, and LMI energy efficiency and conservation programs, which increase by \$17.8 million. These increases are partially offset by a decrease of \$2.0 million for energy efficiency and conservation programs (all sectors).

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

How Much It Grows:	Special <u>Fund</u>	Federal <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
Fiscal 2025 Actual	\$224,069	\$1,405	\$248	\$225,722
Fiscal 2026 Working	280,957	7,116	239	288,312
Fiscal 2027 Allowance	383,874	15,250	246	399,370
Fiscal 2026-2027 \$ Change	\$102,917	\$8,134	\$7	\$111,058
Fiscal 2026-2027 % Change	36.63%	114.30%	2.90%	38.52%
Where It Goes:				<u>Change</u>
Personnel Expenses				
Salary and associated fringe benefits				\$281
Employee and retiree health insurance.....				268
Turnover rate increases from 1.7% to 2.9%.....				-97
Other fringe benefit adjustments				-1
Energy Efficiency and Conservation Programs, LMI Residential Sector				
Residential Energy Equity Program to provide grants to nonprofit and community organizations to support energy efficiency and renewable energy projects that benefit households experiencing LMI.....				17,750
Energy Efficiency and Conservation Programs, All Other Sectors				
Industrial efficiency to provide funding to administer incentives or direct install services to manufacturers.....				1,900
Commercial Building Program (previously Commercial, Industrial and Agricultural Grants).....				101
Mechanical Insulation Program to provide grants for insulation of heating, cooling, and central plant circulation lines and ducts.....				-2,000
L-GEM				-2,000
Renewable and Clean Energy Programs and Initiatives				
Solar				
Post-investment tax credit to support solar energy projects due to federal disruption.....				30,000
Community solar				9,769
DHCD Solar for Income Qualified Multifamily Housing.....				5,000
Resilient Maryland - Solar Resiliency Hubs				-2,500
Nonresidential solar and geothermal (previously Non-Residential Solar Programs).....				-2,769
School Decarbonization Grants solar				-7,000

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Where It Goes:	<u>Change</u>
Residential Energy Equity (formerly Solar Energy Equity)	-8,000
Solar Programs including solar access	-12,000
<i>Other Renewable and Clean Energy Programs and Initiatives Programs</i>	
Gap Financing Initiative for large-scale energy projects that have been adversely impacted by the federal policy changes	70,000
Multifamily and Community EVSE equity program	20,500
Early Adopter Incentives to provide grants for energy efficiency and affordable electrification in commercial and multi-family buildings for BEPS.....	20,000
Commercial building program to fund energy efficiency, electrification, and renewable energy for buildings impacted by BEPS	10,500
Energy Efficiency and Conservation Block Grant Program	7,570
Climate Catalytic Capital Fund, previously funded in University of Maryland, College Park Campus	5,000
School Decarbonization Grants.....	2,607
Preventing outages and enhancing the resilience of the electric grid.....	975
Residential Renewable Grants.....	-235
Resilient Maryland	-500
Innovation and affordability initiatives	-761
Offshore Wind Development Fund	-933
Maryland RISE Program.....	-1,939
EVSE Rebate Program	-2,500
Higher Education Green Energy Initiatives	-8,001
L-GEM	-40,000
<i>Other Renewable and Clean Energy Programs and Initiatives Changes</i>	
Outside contractual services	1,171
Affordable Electrification Outreach Program	500
Salesforce contract	448
Communication and marketing	200
Technical studies	-500
Clean Buildings Hub technical assistance.....	-1,608
<i>Other Changes</i>	
Other	
Total	\$111,058

BEPS: Building Energy Performance Standard

L-GEM: Local Government Energy Modernization

DHCD: Department of Housing and Community Development

LMI: low- and moderate-income

EVSE: Electric Vehicle Supply Equipment

RISE: Resilient Infrastructure for Sustainable Energy Program

Note: The fiscal 2026 working appropriation accounts for deficiencies. Numbers may not sum to total due to rounding. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Although typically, MEA had provided detail on programmatic activity that reconciles to the actual, working appropriation, and allowance, MEA did not provide such information during the 2025 session. Details provided by MEA did not reconcile for all years. In addition, the sources of funds used to support the appropriations were not always consistent across data reported in the Governor’s Budget Books, detail on contract and grant spending provided as part of the budget, and as provided by MEA. In response to concerns raised during the 2025 session, MEA had stated it would work with the Department of Budget and Management (DBM) and DLS to rectify inconsistencies. However, MEA has not provided reconciled data for the data provided during the 2025 session.

As a result, committee narrative in the 2025 JCR requested that MEA provide budget detail with submission of the fiscal 2027 budget. MEA did not provide this information until February 18, 2026, providing DLS insufficient time to analyze or ask questions about the data provided. DLS notes the budget detail is necessary in order to identify which funds support each program in MEA. Details on contract and grant spending provided as part of the budget does not provide information on which fund source is used to support the grants and contracts within each program. Given that the fund sources within MEA vary in allowable uses, receiving data on the spending by fund source is critical to ensuring that planned expenditures comply with statute. **DLS recommends adding language restricting funds in fiscal 2027 pending submission of MEA’s funding by programmatic activity and source.**

Budget Reconciliation and Financing Act

The BRFA of 2026 as introduced includes four provisions impacting the SEIF.

- One provision authorizes the Governor to transfer up to \$33.0 million from the Administration subaccount of the SEIF to the General Fund in fiscal 2027.
- Another provision authorizes the Governor to transfer \$259.0 million from the RPS/ACP Account of the SEIF to the General Fund in fiscal 2026.
- A set of provisions modifies the purpose of the SEIF program to include strengthening climate mitigation and climate resiliency and expands allowable use of RGGI SEIF revenues for various purposes.
- A set of provisions expand allowable uses of ACP SEIF.

Additional discussion on the expansion of SEIF RGGI allowable use can be found in Issue 2 and additional discussion on the provision expanding allowable use of ACP revenues in the SEIF is discussed under Issue 1.

Climate Catalytic Capital Fund

Chapter 38 of 2022 (Climate Solutions Now Act (CSNA)) provided the Climate Catalytic Capital Fund (CCCF) \$5.0 million annually, outside of the SEIF, between fiscal 2024 and 2026.

These mandated funds had been provided through State support for the University of Maryland, College Park Campus (UMCP). Despite the mandate ending, \$5.0 million is provided to the CCCF through MEA in the fiscal 2027 budget, the State support for UMCP also includes \$5.0 million in general funds for the CCCF. **DLS recommends deleting the \$5.0 million in general funds provided to the CCCF. The recommendation related to deletion of these funds will appear as part of the recommendations related to UMCP.**

IIJA and IRA Funding

In its role as Maryland's State energy office, MEA is the designated applicant and recipient of federal funds available to the State through several energy-related formula grant programs included in both the federal IIJA and the IRA. The fiscal 2027 allowance for MEA includes federal funding available to the State through the IIJA from three programs:

- ***Preventing Outages and Enhancing Resilience of the Electric Grid (Also Known as Grid Resilience State and Tribal Formula Grants):*** This program provides federal funding for electric grid modernization improvements to improve grid resiliency and reliability and to reduce the impacts of climate-driven extreme weather and natural disasters. Maryland is expected to be awarded \$22.0 million in total funding under this program between federal fiscal 2023 and 2027, and funds will remain available for use through June 30, 2033. MEA notes that \$15.5 million has been issues of the anticipated awarded amount. The fiscal 2027 allowance includes \$4.1 million of this amount, representing the total amount allocated by DOE to Maryland for federal fiscal 2024. MEA plans to use these funds to implement the Resilient Infrastructure for Sustainable Energy Program (Maryland RISE Program), which will provide grants to help fund improvements to electricity and related power. The application period for the Maryland RISE Program closed in January 2025, and MEA submitted potential projects to DOE in June 2025. As of this writing, MEA has not received further approval. (Additional discussion of competitive grant funding available to utilities for electric grid infrastructure projects is included in the operating analysis for C90G00 – PSC.)
- ***SEP (Expanded Use):*** Through the SEP, DOE provides annual formula grant funding, competitive grant funding, and technical assistance to state energy offices to support a variety of energy planning activities. Annual formula grant funding provided through the SEP is available to be allocated across eligible programs by state energy offices through their discretion as part of individual state energy goals. In addition to annual SEP formula funding allocations, the IIJA appropriated supplemental SEP funding for expanded uses. Previously identified potential uses of supplemental SEP funding include the streamlining of permitting for building solar-based 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. The fiscal 2027 allowance includes \$9.2 million from this program, of which \$2.1 million is associated with regular SEP funding and \$7.1 million is associated with the IIJA. The \$7.1 million is a one-time supplemental funding allocation for the SEP through the IIJA, which is available for use through March 31, 2028.

- ***Energy Efficiency and Conservation Block Grant:*** This program assists states and local governments in implementing strategies to reduce energy use and fossil fuel emissions and improve efficiency in transportation, buildings, and other sectors. In August 2024, Maryland was awarded \$2.1 million. To date, \$29,238 has been received for administrative expenses through this program. MEA notes that 11 local governments have applied for grants under this program. The fiscal 2027 allowance includes \$1.5 million from this program.

Future Anticipated IIJA and IRA Funding

In addition, MEA was conditionally awarded one additional IIJA program for which funding allocations have been announced by DOE, but funding has not yet been awarded:

- ***Energy Efficiency Revolving Loan Capitalization Program:*** This program enables the creation of revolving loan funds to finance energy efficiency audits and improvements for residential, commercial, and public buildings. DOE made a conditional award in January 2025. MEA reports conditions need to be lifted by DOE before the awards can proceed.

In addition to federal funding available through the IIJA, MEA has submitted applications for formula grant funding available to the State through the IRA for two home energy rebate programs and a related program for contractor training. Additional discussion of the IRA home energy rebate programs and the current status of program planning and implementation by MEA can be found in Issue 2 of this analysis.

Transportation Programs

The fiscal 2027 allowance includes \$30.5 million for transportation programs, including \$10.0 million budgeted for the Medium-Duty and Heavy-Duty Zero Emission Grant Program and \$20.5 million budgeted for the Multifamily and Community Electric Vehicle Supply Equipment (EVSE) Equity Program. Chapter 98 of 2023 mandated that the Governor include \$10.0 million annually in the budget bill through fiscal 2027 from the SEIF for grants under the Medium-Duty and Heavy-Duty Zero Emission Grant Program, which is met in the fiscal 2027 allowance. The Multifamily and Community EVSE Equity Program is designed to support energy efficiency and renewable energy projects that benefit residents experiencing LMI.

Administration

The fiscal 2027 allowance includes a total of \$12.5 million budgeted for MEA administrative expenses, which include personnel expenses and other agency operating expenses. Compared to fiscal 2026, administrative expenses increase by \$44,030, or 0.4%. Administrative expenses are funded through a combination of RGGI-sourced SEIF and federal and reimbursable funds, including federal funds awarded annually as part of the SEP. Chapter 98

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increased the cap on the amount of RGGI program revenues that may be credited to the Administration subaccount within the SEIF from \$5.0 million to \$7.5 million

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	49.00	54.00	54.00	0.00
Contractual FTEs	<u>18.00</u>	<u>14.00</u>	<u>14.00</u>	<u>0.00</u>
Total Personnel	67.00	68.00	68.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.91	2.92%
Positions and Percentage Vacant as of 12/31/2025	4.00	7.4%
 Vacancies Above Turnover	 3.1	

- On October 22, 2025, the Board of Public Works approved the abolition of 502.7 positions statewide, include 170.7 vacant positions and 332.0 positions associated with the Voluntary Separation Program (VSP). In MEA, 1 position was abolished, which was associated with the VSP.

Issues

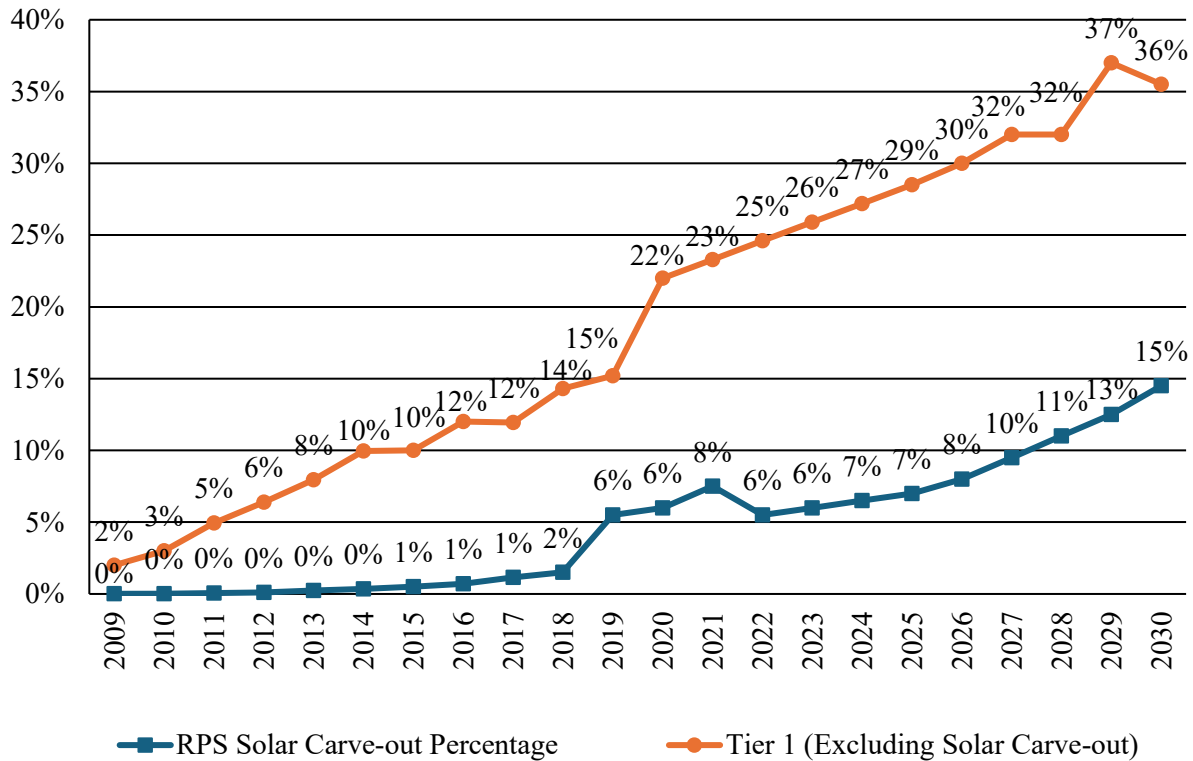
1. ACPs Made under the RPS Program

Reason for Growth in Revenue

Maryland’s RPS program was enacted in calendar 2004 to facilitate a gradual transition to renewable energy. As required by 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, offshore wind energy, and geothermal. To comply with RPS program requirements, electricity suppliers are required to acquire RECs derived from eligible fuel sources. An REC constitutes the renewable energy attributes associated with the production of 1 MWh of electricity generated using renewable energy 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 the current levels in Chapter 757 of 2019 (the Clean Energy Jobs Act) and were further modified by Chapter 673 of 2021. Currently, the RPS requires that by calendar 2030, at least 52.5% of electricity sold in Maryland is sourced from renewable sources. In calendar 2026, the total percentage requirement is 40.5%, which will continue to escalate each year through the remainder of the decade. The RPS solar carve-out percentage requirement is 8.0% in calendar 2025 and will continue to escalate each year until reaching 14.5% in calendar 2030.

Historically, electricity suppliers generally met all requirements for compliance with RPS percentage requirements through retirements of RECs due to renewable energy generation levels that met or exceeded RPS requirements. However, due to the increase in the RPS solar carve-out percentage requirement in calendar 2019 from 1.5% to 5.5%, RPS compliance through ACPs increased. Additionally, gradual increase in RPS Tier 1 requirements has contributed in the increase of RPS compliance through ACPs. As shown in **Exhibit 9**, between calendar 2015 and 2025, RPS Tier 1 requirement, excluding the solar carve-out, increased by 18.5 percentage points. This requirement will fluctuate each year reaching 35.5% in calendar 2030. A portion of this requirement will be attributed to offshore wind once operational.

**Exhibit 9
Annual RPS Requirements
Calendar 2009-2030**



RPS: Renewable Portfolio Standard

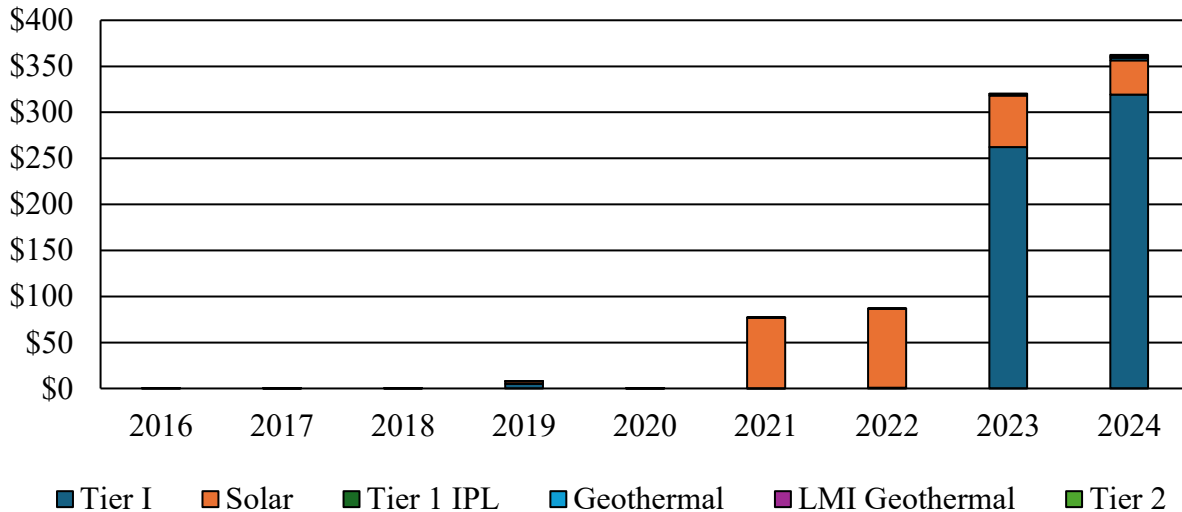
Note: Tier 1 also has carve-outs for Geothermal and Offshore Wind, which are shown as part of the Tier 1 RPS in this exhibit. Offshore wind compliance will not occur until offshore wind is operational until that time; this carve-out is not enforced and is part of the overall Tier 1 requirement. The geothermal requirement varies across years but does not exceed 1%.

Source: Maryland Energy Administration

As shown in **Exhibit 10**, ACP revenue increased significantly beginning in calendar 2021. Total annual required ACP payments were \$77.1 million in calendar 2021 and \$86.6 million in calendar 2022. Prior to calendar 2021, total annual required ACP payments exceeded \$1 million in only three years throughout the history of the RPS program with the largest single year total being \$7.7 million in calendar 2019. Initial growth in ACP occurred primarily from solar requirements (\$76.9 million and \$88.9 million, in calendar 2021 and 2022, respectively). Since calendar 2023, solar-related ACP has declined (though remaining significantly elevated compared to prior to calendar 2021), while general Tier 1 renewable-related ACP has become the predominant source (\$262.4 million and \$319.4 million, in calendar 2023 and 2024,

respectively). According to annual PSC reporting on the RPS program, total ACP of \$362.3 million in calendar 2024 was required to meet program compliance, an increase of \$41.9 million or, 13.1% compared to calendar 2023. It is anticipated that ACP revenue will continue to remain elevated in the near term unless the amount of Tier 1 renewable sources capacity increases to meet the RPS Tier 1 requirements. The growth in the ACP revenue has led to the growth in MEA’s funding from this source in recent years. DBM estimates the ACP revenues in both fiscal 2026 and 2027 to be \$336.9 million, which would represent a decline of approximately \$25 million compared to calendar 2024 actual receipts.

Exhibit 10
Alternative Compliance Payment Revenue
Calendar 2016-2024
(\$ in Millions)



IPL: Industrial Process Load
 LMI: low- and moderate-income

Source: Public Service Commission Annual Renewable Energy Portfolio Standard Reports

Allowable Uses of Funds

Allowable uses of ACP-sourced SEIF revenues are defined in § 9-20B-05 of the State Government Article. Use of the funds is further designated for ACP-sourced SEIF revenues generated from ACP made specifically in relation to the solar carve-out. **Exhibit 11** shows the authorized uses of ACP-sourced SEIF as defined in the State Government Article as well as other recent authorizations. Some authorized uses apply to solar-related ACP specifically, while others apply more broadly to Tier 1-related ACP.

Exhibit 11
Allowable Uses of ACP-sourced SEIF

Solar-related ACP

- | | |
|---|--|
| Grants and loans to support the creation of new solar energy sources in the State that are owned or directly benefit: | <ul style="list-style-type: none">● LMI communities located in a census tract with an AMI at or below 80% of AMI for the State;● overburdened or underserved communities; or● households with LMI. |
| Chapter 595 of 2024 (Brighter Tomorrow Act)
(fiscal 2024 to 2027 only) | <ul style="list-style-type: none">● Required at least 20% of solar ACP-sourced SEIF revenues be used to provide grants to support the installation of new solar energy generating systems.● Authorized MEA to use up to 10% of solar ACP-sourced SEIF revenues for costs of administering the SEIF. |

Tier 1 ACP Generally

- | | |
|--|---|
| Grants and loans to support the creation of new Tier 1 renewable energy sources in the State that are owned or directly benefit: | <ul style="list-style-type: none">● LMI communities located in a census tract with an AMI at or below 80% of AMI for the State; or● overburdened or underserved communities. |
| Chapter 625 and 626 of 2025
(Next Generation Energy Act) | <ul style="list-style-type: none">● Grants to electric companies to be refunded or credited to residential distribution customers. |
| Chapter 604 of 2025 | <ul style="list-style-type: none">● Authorized \$50.0 million to MEA for local government clean energy projects and \$50.0 million to MDOT for solar energy projects on State government property in fiscal 2026 only |

ACP: Alternative Compliance Payments
AMI: average median income
LMI: low- and moderate-income

MDOT: Maryland Department of Transportation
MEA: Maryland Energy Administration
SEIF: Strategic Energy Investment Fund

Source: State Government Article 9-20B-05; Department of Legislative Services

MEA reports having exceeded the requirements of Chapter 595 of 2024 through the Maryland Solar Access Program. DLS notes that funds approved by Chapter 604 of 2025 were authorized for specified purposes in fiscal 2026 only. **MEA should comment if it anticipates full utilization of the \$50.0 million authorized by Chapter 604 in fiscal 2026.**

As shown in **Exhibit 12**, the fiscal 2027 allowance for MEA includes over \$198.0 million in ACP-sourced SEIF. Of the total, \$100.0 million is contingent upon enactment of legislation expanding authorized uses of ACP revenues in the SEIF. DLS notes that some of the items that are being considered as allowable uses under current law do not appear to be allowable uses based on the information provided. For example, the fiscal 2027 allowance includes L-GEM, which was authorized as an allowable use for fiscal 2026 only under Chapter 604. Similarly, it is not clear how some of these programs listed under Other in Exhibit 12, are being considered as directly benefiting LMI communities or overburdened or underserved communities. Specifically, there does not appear to be a clear connection between the commercial building program or the OPEN Energy Innovation Grant Program and LMI communities. **MEA should comment on the planned uses of the funds for these programs to describe how they are being used to support LMI communities. DLS also recommends adding language making funds for these three programs contingent on enactment of legislation expanding the authorized uses of ACP to include development of Tier 1 Renewable Energy Generation generally.**

Exhibit 12
Uses of ACP-sourced SEIF in MEA Budget
Fiscal 2027
(\$ in Millions)

Current Authorization	\$98.0
Solar	\$69.0
Community Solar Grants	26.8
Decarbonizing Public Schools – Solar	12.0
Non-Residential Solar Programs	10.2
DHCD Solar for Income Qualified Multifamily Housing	10.0
Maryland Solar Access Program	10.0
Other	\$29.0
Resilient Maryland (Solar Resiliency Hubs)	5.5
L-GEM	7.0
Commercial Building Program	4.0
Innovation and affordability related energy initiatives	4.0
Clean Energy Affordable Housing	4.0
Climate Catalytic Capital Fund	2.5
OPEN Energy Innovation Grant Program	2.0

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Expanded Authorization	\$100.0
Gap financing for large-scale energy projects impacted by the federal policy changes	70.0
Post-investment Tax Credit Solar Incentives	30.0
Total	\$198.0

ACP: Alternative Compliance Payments
DHCD: Department of Housing and Community Development
L-GEM: Local Government Energy Modernization
MEA: Maryland Energy Administration
SEIF: Strategic Energy Investment Fund

Source: Maryland Energy Administration

Proposed Expanded Uses of Funds

The BRFA as introduced expands allowable uses of ACP revenues in the SEIF in time-limited ways. Some of these expanded uses are specifically identified and authorized for fiscal 2027 only, while a more general expansion of ACP to include Tier 1 renewable energy development in the State applies to fiscal 2027 through 2031. SB 386/HB 897, an Administration bill, also expands the allowable uses of ACP revenues for some of the same purposes though not always through the same language. As shown in **Exhibit 13**, the BRFA and the Administration bill both expand allowable uses of ACP revenues in the SEIF to provide funding to MEA and the Department of General Services (DGS) for creation of new Tier 1 renewable energy sources and funding to MDOT for transmission infrastructure. DLS also notes that SB 386/HB 897 define and establish requirements related to grid-enhancing technologies but do not specifically create programs related to the authorized uses of funds for this purpose nor authorize the use the funds for those purposes. The fiscal 2027 allowance includes \$312.0 million from ACP revenues in the SEIF, contingent on enactment of legislation expanding the allowable uses:

- \$100.0 million for rate credits;
- \$100.0 million to MEA;
- \$82.0 million in the DPA for the purposes specifically identified in Exhibit 13 (additional discussion may be found in the analysis for Y01A – State Reserve Fund);
- \$20.0 million to DGS; and
- \$10.0 million to MDOT.

Exhibit 13
Expanded Uses of ACP Revenues in the SEIF – BRFA and
Administration Bill
(\$ in Millions)

	<u>BRFA</u>	<u>Administration Bill</u>
Fiscal 2027 only		
Rate Credits – PSC		\$100.0
Gap Financing – MEA	\$70.0	
Transmission Infrastructure – MDOT	10.0	10.0
Higher Education Research Grants – DPA	42.0	
Implementation of Chapters 7 and 19 of 2025 Special Session – DPA	25.0	
Grid-enhancement and Transmission Technologies – DPA (for use by PSC)	15.0	
Fiscal 2027 through 2031		
Creation of New Tier 1 Renewable Energy Sources – MEA	30.0	30.0
Creation of New Tier 1 Renewable Energy Sources – DGS	20.0	20.0

ACP: Alternative Compliance Payments
BRFA: Budget and Reconciliation and Financing Act
DGS: Department of General Services
DPA: Dedicated Purpose Account
MDOT: Maryland Department of Transportation
MEA: Maryland Energy Administration
PSC: Public Service Commission
SEIF: Strategic Energy Investment Fund

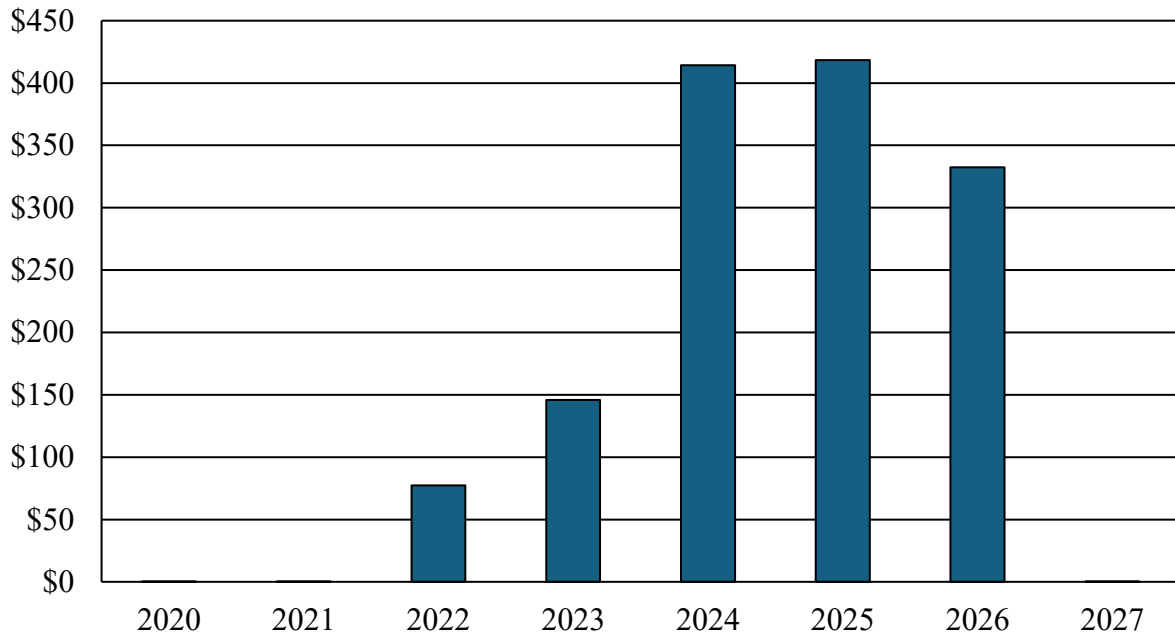
Source: Budget and Reconciliation and Financing Act of 2026; SB 386 and HB 897 of 2026

As the expanded uses of ACP revenues are included in both the BRFA and the Administration bills, DLS recommends striking duplicative provisions in the BRFA. DLS also recommends striking the provision authorizing \$15.0 million to PSC for transmission technologies and instead recommends this authorization be included in the Administration bill.

In the analysis for Y01A – State Reserve Fund, DLS recommended deleting the \$42.0 million for higher education research. **DLS also, therefore, recommends striking the provision authorizing the use of these funds for that purpose.**

Exhibit 14 shows RPS ACP subaccount fund balance from fiscal 2020 through 2027. The RPS ACP fund balance increased substantially beginning in fiscal 2022, reaching \$418.4 million in fiscal 2025. The fiscal 2026 ending balance is estimated to total \$332.3 million, not accounting for \$259.0 million transfer to the General Fund proposed in the BRFA of 2026. The fiscal 2027 ending balance is estimated to total \$0.2 million, after accounting for the Governor’s fiscal 2027 budget plan including planned transfers and expanded uses of the funds.

Exhibit 14
Renewable Portfolio Standard ACP Fund Balance
Fiscal 2020-2027
(\$ in Millions)



ACP: Alternative Compliance Payment

Note: Fiscal 2026 and 2027 estimated balances are the net of encumbrances and assume the full utilization of the fiscal 2026 and 2027 appropriation

Source: Governor’s Budget Books Fiscal 2022 - 2027

2. RGGI Program Auction Revenues during Calendar 2025

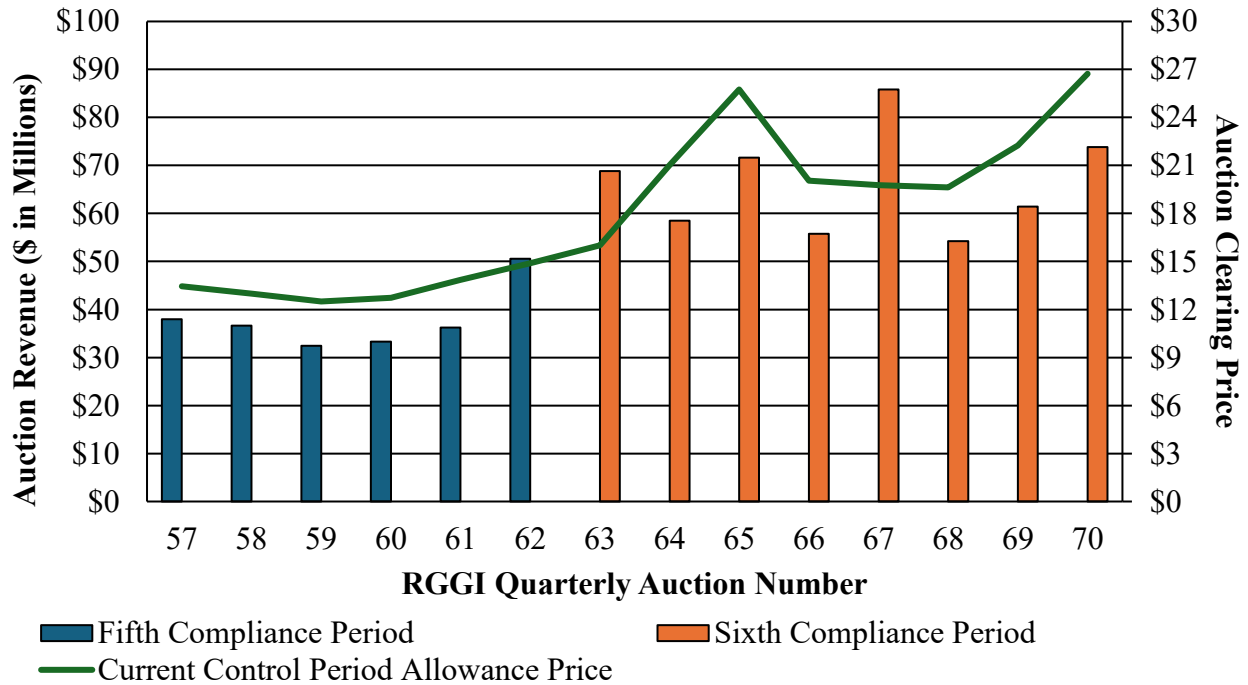
The RGGI program is a regional market-based carbon dioxide emission cap-and-invest program designed to reduce emissions from fossil fuel-based power generating plants. Under

RGGI program regulations, fossil fuel power generators with a capacity of 25 MWh or greater are required to hold allowances equal to their carbon dioxide emissions over a three-year control period. Currently, Maryland is 1 of 10 member states in the northeastern U.S. region participating in quarterly RGGI program auctions held for the sale of carbon dioxide emissions allowances authorized under the RGGI emissions cap. The RGGI emissions cap is based on the combined size of the power sector of the individual member states and is designed to decrease over time to create a planned pathway for decreases in overall carbon dioxide emissions. RGGI member states completed the third program review in summer 2025, which reduces the regional emission caps. The member states will utilize the updated model rule developed by the program review to revise their carbon dioxide trading program.

Over the 70 total program auctions held since the first auction in September 2008, RGGI auction revenue has shown substantial variation, primarily driven by changes in auction clearing price in reaction to changes in market demand. Market demand for RGGI allowances is driven by both changes in the number of allowances available under the program cap and market conditions in the energy market, such as supply and demand for electricity (which can increase demand for electricity generated by fossil fuels). Additionally, demand has been impacted due to more ambitious greenhouse gas reduction goals implemented by Maryland and other RGGI member states. However, the total number of allowances offered decreased in Auction 63 by 6.1 million following the withdrawal of Virginia and has remained at the same level for recent auctions. In future auctions, demand for allowances and the supply of allowances available for sale may be impacted by changes in participating states as well as annual reductions associated with any changes in the cap level from year to year. Maryland's specific allowances have remained relatively stable, though slightly increased for recent auctions compared to the prior year (except for auctions in which cost containment reserve (CCR) allowances were sold).

Exhibit 15 presents RGGI auction clearing prices and the total auction revenues received by Maryland for individual auctions held since the beginning of fiscal 2023 (Auctions 57 through 70). The most recent auction, Auction 70, resulted in the highest auction clearing price in the history of the RGGI program (\$26.73 per allowance), surpassing the previous highest auction clearing price of \$25.75 achieved in Auction 65 (September 2024). Since Auction 64 (June 2024), clearing prices have exceeded \$19 per allowance and are substantially higher than those achieved in any auction held prior to that point.

Exhibit 15
Maryland RGGI Program Revenues and Auction Clearing Price
Fiscal 2023-2026 (through December)



RGGI: Regional Greenhouse Gas Initiative

Source: Regional Greenhouse Gas Initiative, Inc.

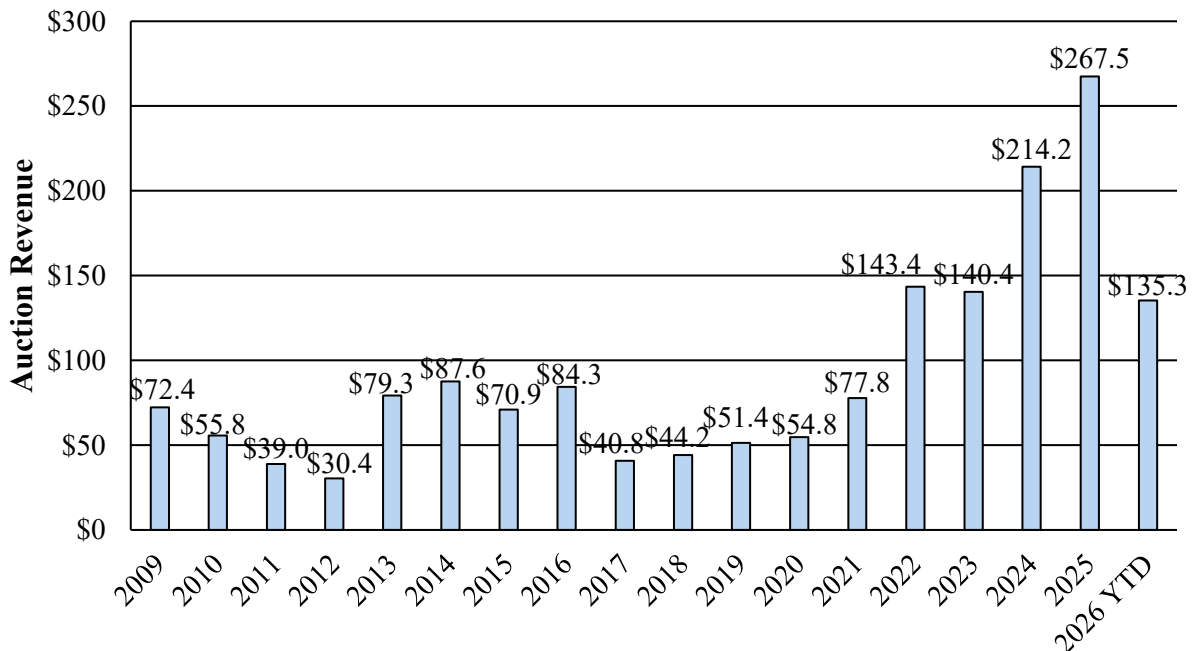
As the RGGI program is currently structured, the RGGI program’s CCR consists of a quantity of allowances, in addition to the quantity available under the program cap that are held in reserve and only sold if allowance prices exceed a certain price level (in calendar 2025, this price was \$17.03, and in calendar 2026, this price is \$18.22). The size of the CCR is 10% of the regional cap each calendar year. The mechanism of the CCR attempts to stabilize clearing prices if demand for allowances is high by allowing additional allowances to be sold. Throughout program history, the CCR has been triggered in five auctions. The high auction clearing price attained in recent auctions did not trigger the CCR due to the lack of availability of CCR allowances for sale. All CCR allowances set aside for calendar 2025 were sold in Auction 67 (March 2025). The CCR allowance is replenished at the start of each calendar year. Auction 70 resulted in Maryland’s highest level of proceeds from a single auction at \$73.8 million. In all auctions held since Auction 62, revenue proceeds have exceeded \$50 million per auction.

Starting in calendar 2027, the updated model rule creates two tiers for CCR and sets a fixed quantity of CCR Tier 1 and Tier 2 allowances. Both Tier 1 and Tier 2 will include approximately

11.75 million allowances for the 10 member states. Tier 1 allowances will trigger if the allowance price exceeds a set threshold, and Tier 2 allowances will be available if demand exceeds Tier 1 and the prices are above Tier 2 trigger prices. This change would have the impact of dampening prices when they exceed certain levels, at least in some auctions. The current model includes the Emissions Containment Reserve (ECR), which is a reserve of allowances that can be withheld if the prices fall below a set trigger price. The updated model rule replaces the ECR with an increased minimum reserve price. Additionally, the updated model rule removes RGGI offset allowances for specific projects, which is allowed in the current model rule.

As shown in **Exhibit 16**, total RGGI program revenues received by Maryland from all auctions held during fiscal 2025 totaled \$267.5 million, which is the highest yearly revenue in program history. Fiscal 2025 revenue increased by \$53.3 million, or 24.9%, from fiscal 2024 revenue. Fiscal 2024 had the highest revenue total for a single fiscal year prior to fiscal 2025 at \$214.2 million. Through the first two quarterly auctions held in fiscal 2026, Maryland RGGI program revenues totaled \$135.3 million, which puts the State on pace to at least reach fiscal 2025 revenue levels.

Exhibit 16
Regional Greenhouse Gas Initiative Program Revenue by Fiscal Year
Fiscal 2009-2026 (through December)
(\$ in Millions)



YTD: year to date

Source: Regional Greenhouse Gas Initiative, Inc.

Throughout the entirety of its participation in the RGGI program, Maryland has received over \$1.7 billion from the sale of RGGI allowances that have been reinvested in energy efficiency, renewable energy, and climate change mitigation programs administered by MEA and other State agencies as well as low-income energy assistance programs administered by the Department of Human Services.

Forecasting RGGI-sourced SEIF revenues over multiple years can be challenging due to the dynamic nature of auction clearing prices. Historically, due to variations in auction clearing prices and revenues attained from RGGI auctions, the amount of revenues budgeted in many years did not generally align well with actual auction revenues attained. As a result, these year-to-year variations led to a buildup of fund balance in some years but resulted in mid-year program reductions in others. To stabilize program funding, MEA began estimating revenue for the budget using the minimum auction clearing prices with any overattainment of revenue compared to that minimum budgeted in the following year. While this conservative method of projecting revenues helped to avoid mid-year contraction or eliminating 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 fiscal 2023 budget, MEA altered its revenue projection method used for budget development 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 prior fiscal years with any overattainment of revenue compared to the estimated auction clearing price continuing to be allocated during the subsequent budget cycle (for example, overattainment above the estimated clearing price from auctions held during fiscal 2025 is available for the fiscal 2027 budget). In development of the fiscal 2027 budget, MEA used an estimated clearing price of \$21.40 per allowance to estimate revenues from future auctions, which represents the average of the actual auction clearing prices for the eight most recent auctions (Auctions 63 through 70).

RGGI Allocation and Fund Balance

Chapters 127 and 128 of 2008 established the SEIF primarily to receive revenue attained through the State's participation in the RGGI program auctions. Chapters 127 and 128 also established an allocation method to distribute revenues from RGGI auctions across various categories of spending. The allocations were subsequently changed several times with the current allocation set as part of the BRFA of 2014. Other revenues deposited to the SEIF that are available from non-RGGI sources (such as ACPs received under the terms of the State's RPS program and other funds available from PSC orders) are not subject to the statutory allocation of revenues that applies to RGGI-sourced funds but follow other statutory requirements or requirements from PSC orders that resulted in that revenue source. **Exhibit 17** provides the current statutory allocation of RGGI auction revenues as required by § 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 but no more than \$7.5 million. The cap on the administrative subaccount results in the availability of additional revenues to be distributed to the other subaccounts if 10% of total revenues exceed \$7.5 million.

Exhibit 17
RGGI Revenue Distribution as Determined by Statute
Fiscal 2027

<u>SEIF Subaccount</u>	<u>Revenue Distribution as Determined by Statute</u>
Energy Assistance	At Least 50%
Energy Efficiency and Conservation Programs – LMI Sector	At Least 10%
Energy Efficiency and Conservation Programs – All Sectors	At Least 10%
Renewable and Clean Energy Programs and Initiatives	At Least 20%
Administration	Up to 10% but No More Than \$7.5 Million

LMI: low- and moderate-income
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Source: State Government Article 9-20B-05

Distribution of RGGI Revenue

The allocation of RGGI auction revenues to the various SEIF subaccounts as required by statute occurs following the distribution of certain amounts required by statute and accounting for the payment of annual dues for RGGI, Inc. for costs associated with participation in the program. Compared to prior years, the number of items taken off of the top before revenue distributions has increased in fiscal 2027. Items taken off the top in fiscal 2027 that are consistent with prior years include:

- \$779,503 is transferred for RGGI, Inc. annual dues;
- \$2.1 million is transferred to the Maryland Energy Innovation Fund (MEIF) as mandated by Chapters 13 and 24 of the 2021 special session. MEIF funds support the administrative costs of the Maryland Energy Innovation Institute (MEII) within the James A. 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 is annually apportioned to MCEC; and
- \$8.25 million is transferred to the Transportation Trust Fund to reimburse revenue lost due to tax credits under the Zero Emission Vehicle Excise Tax Credit program as mandated by Chapter 234 of 2022 (the Clean Cars Act).

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Newly added to the list of items taken off the top in the fiscal 2027 allowance include:

- \$5.8 million is transferred to the Department of Natural Resources (DNR) (of which \$0.8 million is contingent on enactment of legislation expanding allowable uses of the SEIF) and \$5.0 million is also a new use of funds;
- \$8.9 million to the Maryland Department of the Environment (MDE) – Air and Radiation Administration, previously included under the Renewable and Clean Energy programs allocation; and
- \$10.0 million to MEA for Medium/Heavy-Duty Zero Emission Vehicle Grants, which was previously budgeted within the Renewable and Clean Energy programs allocation.

DLS notes that transfer prior to allocation of RGGI auction revenues reduces funds available to be allocated to the subaccounts. Particularly, funds available for energy assistance are impacted the most as it receives highest percentage (50%) of the RGGI revenues after the transfers. **MEA should discuss why some of the new items are being taken off of the top of the revenue before distribution instead of being allocated under the related program and how it determines which programs should or should not be distributed through this manner.**

Chapter 474 of 2024 established the Climate Technology Founder’s Fund (CTFF) within MCEC and required \$1.2 million to be transferred from the SEIF to the CTFF annually from fiscal 2025 through 2028. The fiscal 2027 allocation includes \$1.2 million for the CTFF.

Fiscal 2027 Allowance Comparison

As shown in **Exhibit 18**, the fiscal 2027 allowance includes a total of \$399.7 million in RGGI-sourced SEIF spending. RGGI-sourced SEIF spending by State agencies increases by \$74.7 million in fiscal 2027 primarily due to increases of \$27.8 million in LMI energy efficiency and conservation programs and an increase of \$55.1 million in renewable and clean energy programs and initiatives. The increase is offset by decrease of \$8.4 million for energy efficiency programs. DLS notes that the Governor’s Fiscal 2027 Budget Books identify RGGI-sourced SEIF as the source of the Climate Catalytic Capital Fund; however, MEA-provided documents indicate that this funding is split between RGGI-sourced and ACP-sourced revenue. **MEA should clarify the source of funds used for this purpose.**

Exhibit 18
RGGI-sourced SEIF Appropriations
Fiscal 2025-2027
(\$ in Millions)

	<u>2025</u>	<u>Working 2026</u>	<u>Allowance 2027</u>	<u>Change 2026-2027</u>
Energy Assistance	\$96.6	\$160.1	\$160.0	-\$0.1
Department of Human Services	96.6	160.1	160.0	-0.1
LMI Energy Efficiency and Conservation Programs	\$11.3	\$17.2	\$45.0	\$27.8
MEA	11.3	17.2	35.0	17.8
DHCD	0.0	0.0	10.0	10.0
Energy Efficiency and Conservation Programs in All Sectors	\$14.0	\$72.8	\$64.4	-\$8.4
MEA	10.2	42.8	40.8	-2.0
DGS	3.8	3.0	3.0	0.0
DGS – Facilities Renewal Fund – PAYGO	0.0	0.0	3.5	3.5
Support for State Operated Institutions for Higher Education – PAYGO	0.0	27.0	17.0	-10.0
Renewable and Clean Energy Programs and Initiatives	\$59.3	\$65.6	\$120.7	\$55.1
MEA	48.8	39.4	74.2	34.9
Maryland Clean Energy Center – Climate Technology Founder’s Fund	0.0	3.4	1.2	-2.2
Maryland Clean Energy Center – Climate Catalytic Capital Fund	0.0	0.0	5.0	5.0
State Fleet Electric Vehicle Program – DBM	0.8	1.3	1.3	0.0
State Fleet Electric Vehicle Chargers – DGS	1.0	2.0	2.0	0.0
Decarbonization Planning – DGS	0.0	1.2	1.5	0.3
Maryland Department of Labor	1.0	0.0	0.0	0.0
Interagency Commission on School Construction – School Decarbonization	0.0	1.0	0.0	-1.0
Support for State Operated Institutions for Higher Education – PAYGO	0.0	5.0	0.0	-5.0
Governor’s Office – Chief Sustainability Officer	0.2	0.2	0.2	0.0
Tree Solutions Now Act	7.5	10.0	10.0	0.0
Comptroller of Maryland	0.0	0.3	0.2	-0.1

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	<u>2025</u>	<u>Working 2026</u>	<u>Allowance 2027</u>	<u>Change 2026-2027</u>
DHCD	0.0	0.0	12.0	12.0
Contingent Appropriations	0.0	1.9	13.1	11.2
Administration	\$8.5	\$9.2	\$9.6	\$0.4
MEA	8.5	9.2	9.6	0.4
Total RGGI-sourced in the Budget	\$189.7	\$324.9	\$399.7	\$74.7
Total RGGI-sourced SEIF in MEA Budget	\$78.8	\$108.6	\$159.6	\$51.1

DBM: Department of Budget and Management
DGS: Department of General Services
DHCD: Department of Housing and Community Development
LMI: low- and moderate-income
MEA: Maryland Energy Administration
PAYGO: pay-as-you-go
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Note: Excludes revenue diversions and transfers to the Dedicated Purpose Account and the General Fund reported under the Revenue Allocation in Appendix H of the Budget Highlights Book.

Source: Governor’s Fiscal 2027 Budget Books

The BRFA of 2026 as introduced includes a provision that authorizes a transfer of \$33.0 million from the Administration subaccount to the General Fund on or before June 30, 2026. The BRFA also includes following provisions expanding allowable uses of RGGI auction revenues deposited into the SEIF:

- expands the allowable use of the SEIF to include costs associated with DNR;
- expands allowable use of RGGI auction revenues deposited into the SEIF be used for programs and incentives related to climate change mitigation and climate change resiliency efforts; and
- expands allowable use of RGGI auction revenues deposited into the SEIF be used for programs and initiatives related to resiliency efforts implemented by the Maryland Department of Emergency Management.

Exhibit 19 provides a detailed breakdown of appropriations that are contingent on the enactment of the RGGI revenue expansions included in the BRFA of 2026. The BRFA authorizes \$15.8 million in RGGI revenue for various purposes.

Exhibit 19
Expanded Use of RGGI Revenues in the SEIF
(\$ in Millions)

	<u>2026</u>	<u>2027</u>
DNR	\$0.0	\$0.8
Environmental Review Program in the Power Plant Assessment Program within DNR	0.0	0.8
Climate Change Mitigation and Climate Change Resiliency Efforts	\$1.5	\$11.6
Chesapeake Conservation and Climate Corps Program in BPW	1.5	1.5
Comprehensive Flood Management Grant Program in MDE	0.0	9.5
Lead Resilience Planner in the Maryland Department of Planning	0.0	0.1
Climate Resilience Director in the Comptroller of Maryland	0.0	0.1
Two Positions in the Housing and Building Energy Program within DHCD	0.0	0.2
Senior Climate Advisor in MDE	0.0	0.2
MDEM	\$0.4	\$1.5
Programs and Initiatives Related to Resiliency Efforts Implemented by MDEM	0.0	1.5
Economic Analysis and Policy Benchmark Study	0.4	0.0
Total	\$1.9	\$13.9

BPW: Board of Public Works
DHCD: Department of Housing and Community Development
DNR: Department of Natural Resources
MDE: Maryland Department of the Environment
MDEM: Maryland Department of Emergency Management

Source: Budget and Reconciliation Act of 2026; Governor’s Fiscal 2027 Budget Books

SEIF Fund Balance

As shown in **Exhibit 20**, at the close of fiscal 2025, the balance of the RGGI-sourced SEIF totaled \$438.2 million, after taking into account any funds that may already be committed through encumbrances. Fiscal 2026 and 2027 estimates account for encumbrances and assume full utilization of appropriated funds. Between fiscal 2025 and 2026, RGGI-sourced SEIF fund balance decreases by \$168.6 million. The fiscal 2027 ending balance for RGGI-sourced subaccounts, after accounting for this transfer is projected to total \$160.2 million. Balances for RGGI-sourced subaccounts decline by \$109.43 million overall. The renewable and clean energy programs subaccount declines the most, from \$108.8 million to \$51.8 million.

Exhibit 20
Estimated RGGI-sourced SEIF Fund Balance
Fiscal 2025-2027
(\$ in Millions)

	<u>2025</u>	<u>2025</u> <u>(Less Encumbrances)</u>	<u>2026</u>	<u>2027</u>
Energy Assistance	\$138.1	\$138.1	\$53.4	\$52.8
LMI Energy Efficiency and Conservation Programs	73.7	49.5	47.3	34.2
Energy Efficiency and Conservation Programs in All Sectors	81.2	68.6	24.2	16.1
Renewable and Clean Energy Programs	194.5	134.2	108.8	51.8
Administration	55.3	47.8	35.8	5.2
Subtotal RGGI-sourced Subaccounts	\$542.8	\$438.2	\$269.6	\$160.2

LMI: low- and moderate-income
RGGI: Regional Greenhouse Gas Initiative
SEIF: Strategic Energy Investment Fund

Note: Fiscal 2026 and 2027 estimated balances are the net of encumbrances and assume the full utilization of the fiscal 2026 and 2027 appropriation.

Source: Governor’s Fiscal 2027 Budget Books

3. Federal IRA Home Energy Rebate Programs

The 2025 JCR included committee narrative requesting that MEA provide an update on all IJJA and IRA programs for which it has submitted or anticipates submitting an application, the amount of funding available from each program, the status of each application submitted or date that funding was awarded, and the planned uses for funding from each program. The report submitted by MEA provided updates on the following programs.

- ***The Home Energy Performance Based, Whole House Rebate Program (Also Known as the Home Owner Managing Energy Savings (HOMES) Home Efficiency Rebates Program):*** This program will provide rebates to both single-family and multifamily homes for eligible energy efficiency projects that achieve a minimum overall reduction in whole home energy usage. Maryland’s formula funding allocation is \$68.5 million for this program. MEA received early administration funding of \$721,176 in July 2024, which was used to hire a program manager to continue the design and ultimately oversee the implementation of the program. MEA submitted full application for the Home Efficiency Rebates Program on December 18, 2024, which was conditionally approved by DOE.

- ***The High-Efficiency Electric Home Rebate Program (Also Known as the Home Electrification and Appliance Rebate Program):*** This program will provide rebate incentives for qualifying home appliance replacements as well as some qualifying associated building improvements that enable electrification for eligible households and multifamily buildings that meet income requirements. Maryland’s formula funding allocation is \$68.2 million for this program. MEA received early administration funding of \$721,176 in July 2024, which was used to hire a program manager to continue the design and ultimately oversee the implementation of the program. MEA submitted full application on October 31, 2024, which was conditionally approved by DOE.
- ***State-based Home Energy Efficiency Contractor Training Grant Program (Also Known as the Training for Residential Energy Contractors Program):*** This program provides states the ability to develop and implement a state workforce energy program that prepares workers to deliver energy efficiency, electrification, and clean energy improvements, including improvements covered under the IRA home energy rebate programs. MEA’s application for this program was conditionally approved in January 2025.

MEA reports that additional approvals from DOE are required before funding becomes accessible and these programs can officially launch. As of December 31, 2025, MEA has not received feedback or approval of application for these IRA programs. In efforts to receive DOE approval for these programs, specifically the two rebate programs, MEA has submitted implementation blueprint documents including education and outreach strategy, consumer protection plan, and data access plan to DOE; conducted public and stakeholder engagement outreach efforts; and advanced the process to secure an implementation contractor capable of supporting both rebate programs.

MEA also reported that there are no contingency plans to backfill both HOMES Home Efficiency Rebates Program and Home Electrification and Appliance Rebate Program, given the magnitude and the duration of these awards. The project period for both rebate programs conclude on June 30, 2029.

4. EV Charging Infrastructure Funding through the IIJA and MEA Transportation Programs Incentivizing EV Adoption

The IIJA contained a total of \$7.5 billion in federal funding for EV charging infrastructure across two federal programs:

- the National Electric Vehicle Infrastructure (NEVI) Formula Program, which allocates \$5.0 billion of formula funding to each state and U.S. territory to strategically deploy EV charging infrastructure along highways designated as alternative fuel corridors; and
- the Discretionary Grant Program for Charging and Fueling Infrastructure (CFI), which provides \$2.5 billion in competitive grant funding for charging and alternative fueling infrastructure projects both along alternative fuel corridors and in communities including rural, disadvantaged, and hard-to-reach communities.

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Under the NEVI program, Maryland will be allocated a total of approximately \$63.0 million over five years. Although NEVI funding is administered by MDOT, MEA collaborated with MDOT and other partners and stakeholders to develop the initial *2022 Maryland State Plan for NEVI Formula Funding Deployment* and the calendar 2023 annual State plan update. Under the terms of the NEVI program, each state was required to submit an EV infrastructure deployment plan along with annual plan updates outlining each state’s approach for using funding to deploy charging infrastructure and achieving goals of the NEVI program. Maryland’s initial State plan was submitted to the Joint Office of Energy and Transportation in July 2022 and was approved in September 2022, unlocking the first portion of Maryland federal NEVI program funding. The 2025 annual update was submitted in September and approved in October 2025. NEVI Round 1 Awards were issued for 19 project sites in 13 counties within Maryland. These projects will use nearly \$9.5 million in federal investments to install 118 public, convenient, and reliable DC fast chargers along the State’s designated EV Alternative Fuel Corridors. In December 2025, three charging stations built under NEVI became operational. These stations are located in Anne Arundel, Cecil, and Garrett counties.

In December 2024, MDOT announced the release of a request for proposals for design-build contracts to design, construct, operate, and maintain EV charging stations through the second round of NEVI program funding. In May 2025, Maryland joined other states to file a lawsuit against the federal administration for withholding funding for NEVI. A preliminary ruling issued in June 2025, followed by the final ruling issued in January 2026, barred the federal government from withholding NEVI funds. On October 28, 2025, MDOT announced conditional awards under Round 2 of NEVI Program. Conditional awards have been issued for 12 project sites in 12 counties within Maryland. These projects will use over \$9.5 million to install 48 public fast chargers along the State’s designated EV Alternative Fuel Corridors.

In addition to federal funding available to Maryland through the NEVI program, competitive grant funding through the CFI discretionary grant program is available to eligible applicants including state, tribal, and local governments and state-owned or affiliated entities. The CFI program provides federal funding to individual projects in two categories: (1) community charging and fueling grants; and (2) alternative fuel corridor grants to support the build out of EV charging infrastructure.

On January 10, 2025, release of \$635 million in grants under the second round of awards made through the CFI program was announced, which would support 49 EV charging and alternative fueling infrastructure projects in 27 states and territories. Among the second round of CFI program grants was a \$18.6 million award to MDOT in partnership with the Pennsylvania Department of Transportation, the New Jersey Department of Environmental Protection, and the West Virginia Department of Transportation to deploy alternative fueling infrastructure along the I-81 and I-78 corridors in Maryland, New Jersey, and Pennsylvania. The project includes installation of six fast charging stations in locations that will serve local fleet needs and build out connections to a regional network of freight truck charging infrastructure. In December 2025, Maryland, along with 15 other states and Washington, DC, sued the federal administration for withholding federal funds including funds under CFI program.

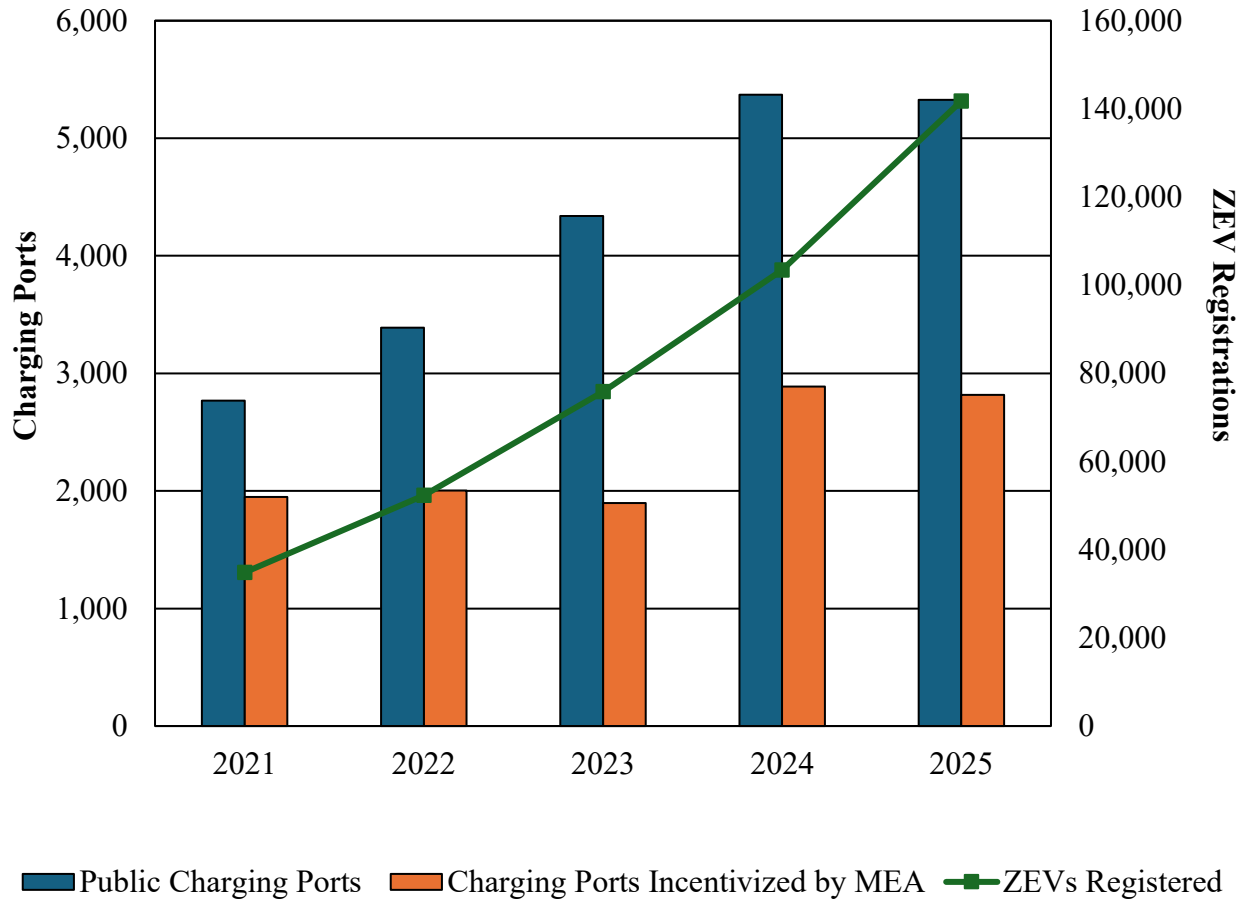
MEA Transportation Programs Incentivizing EV Adoption

In addition to federal IIJA funding, a variety of programs administered by MEA and other State agencies, including PSC and MDE, incentivize the adoption of EVs and the development of EV charging infrastructure. As part of a suite of transportation programs, MEA administers the EVSE rebate program and the Medium-Duty and Heavy-Duty Zero Emission Vehicle Grant Program. The EVSE program provides rebates to residential and commercial applicants of up to 50% of the eligible costs incurred acquiring and installing qualified EV supply equipment (charging stations). Rebates are awarded on a noncompetitive basis until funding is exhausted. Maximum rebates per charging station are limited to \$700 for residential customers and \$5,000 for commercial customers.

The Medium-Duty and Heavy-Duty Zero Emission Vehicle Grant Program was established by Chapter 234 (the Clean Cars Act) and allows an individual or unit of local government to apply for a grant of up to 20% of the cost of qualified vehicles, vehicle supply equipment, and heavy-duty equipment property. Medium- and heavy-duty vehicles are generally rated at over 8,500 pounds unloaded gross weight and intended for commercial or industrial use and may include school buses or other fleet vehicles owned and operated by units of local government.

The State also offers a Zero Emission Vehicle Excise Tax Credit that allows individuals to claim a one-time excise tax credit of up to \$3,000 following the purchase of a qualifying zero-emission plug-in electric or fuel cell EV. The tax credit was reestablished by Chapter 234 and is currently available through fiscal 2027. **Exhibit 21** presents data on total annual registration of zero-emission vehicles (ZEV) in Maryland and the total number of publicly accessible charging stations statewide, including those incentivized through MEA programming. Deployment of EV charging infrastructure and EV ownership has grown steadily over the past five years. As of fiscal 2025, there were a total of 141,784 ZEVs registered in Maryland, and a total of 5,328 publicly available vehicle charging ports. Through its programming, MEA incentivized a total of 2,818 charging stations as of fiscal 2025, which is a decrease of 69 from fiscal 2024. **MEA should comment on this decrease in MEA-incentivized charging stations.**

Exhibit 21
Electric Vehicle Registrations and Charging Stations
Fiscal 2021-2025



MEA: Maryland Energy Administration
ZEV: zero-emission vehicle

Source: Maryland Energy Administration

Operating Recommended Actions

1. Add the following language to the special fund appropriation:

, provided that \$70,000,000 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund to include gap financing initiatives for at-risk, large-scale clean energy projects

Explanation: This language modifies language making a portion of the appropriation in the Maryland Energy Administration contingent on the expansion of allowable uses to more specifically identify the expanded use for which these funds are needed and better match the applicable legislation.

2. Add the following language to the special fund appropriation:

, provided that \$30,000,000 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund to include grants or loans to support the creation of new Tier 1 renewable energy sources in the State.

Explanation: This language modifies language making a portion of the appropriation in the Maryland Energy Administration contingent on the expansion of allowable uses to more specifically identify the expanded use for which these funds are needed and better match the applicable legislation.

3. Strike the following language on the special fund appropriation:

~~, provided that \$100,000,000 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund~~

Explanation: This language strikes language making a portion of the appropriation in the Maryland Energy Administration contingent on the expansion of allowable uses. Instead, two pieces of language are added to make the appropriation contingent on the expansion of allowable uses to more specifically identify the expanded use for these funds.

4. Add the following language to the special fund appropriation:

, provided that \$250,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Maryland Energy Administration (MEA) submits a report to the budget committees with details on the department's funding. The

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report shall provide details on the fiscal 2027 working appropriation and the fiscal 2028 allowance. The report shall detail for each budgetary program the programmatic activities by fund source within MEA. The report shall be submitted in conjunction with the release of the fiscal 2028 budget, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report is not submitted.

Explanation: The General Assembly is interested in receiving MEA’s funding in detail. MEA did not provide this information in a timely manner, as requested by committee narrative in 2025 Joint Chairmen’s Report. This language withholds funding until details on the department’s funding are provided with submission of the fiscal 2028 budget.

Information Request	Author	Due Date
Report on MEA funding	MEA	With submission of the Governor’s Fiscal 2028 Budget Books

5. Add the following language to the special fund appropriation:

Further provided that \$100,000 of this appropriation made for the purpose of administrative expenses may not be expended until the Maryland Energy Administration (MEA) submits a report to the budget committees detailing the (1) fiscal 2025 actual expenditures (including encumbrances) by programmatic activity and fund source; (2) the fiscal 2026 actual expenditures (including encumbrances) by programmatic activity and fund source; (3) explanations including details from which programs and fund sources federal and special funds were canceled for fiscal 2026 actual expenditures; and (4) explanations including details from which programs and fund sources federal and special funds were encumbered in fiscal 2026 closeout. The report shall be submitted by September 30, 2026. The budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report is not submitted

Explanation: MEA has delayed providing explanations on cancellations of funds at closeout as well as delaying or failing to provide details on programmatic spending by activity and fund source in recent years. This language restricts funds pending submission of a report providing explanations on fund cancellations at fiscal 2026 closeout, as well as details on encumbrances, and spending by programmatic activity and fund source for fiscal 2025 and 2026 actual expenditures.

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Information Request	Author	Due Date
Fiscal 2026 cancellations, encumbrances, and actual expenditures by activity	MEA	September 30, 2026

6. Add the following language to the special fund appropriation:

Further provided that \$13,000,000 of this appropriation is contingent upon enactment of legislation expanding the allowable uses of the Strategic Energy Investment Fund to include grants or loans to support the creation of new Tier 1 renewable energy sources in the State

Explanation: This language makes a portion of the appropriation in the Maryland Energy Administration contingent on the expansion of allowable uses. Specifically, the programs included in this contingency are the Local Government Energy Modernization (\$7.0 million), Commercial Building (\$4.0 million) and OPEN Energy Innovation Grant Program (\$2.0 million), budgeted within the Renewable and Clean Energy Programs and Initiatives. These programs are reported as being supported by Alternative Compliance Payments, which must be used to directly benefit low- and moderate-income communities or overburdened or underserved communities.

7. 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) and Alternative Compliance Payment (ACP) revenue assumptions and spending included in the budget as well as available fund balance and planned usages of revenues. The committees request that the Department of Budget and Management (DBM) provide an annual report on the revenue from RGGI carbon dioxide emissions allowance auctions and set-aside allowances as well as ACP revenue assumptions in conjunction with the submission of the fiscal 2028 budget as an appendix to the Governor’s Fiscal 2028 Budget Books. The report shall include information on the actual fiscal 2026, the fiscal 2027 working appropriation, and the fiscal 2028 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;
- revenue assumptions used to calculate the available ACP revenue for each fiscal year;

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- 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 made to other funds;
- amount of the SEIF from ACP available to each agency including any transfers or diversion made to other funds; and
- fund balances for each SEIF subaccount, reflecting funds available to spend for the fiscal 2026 actual accounting for encumbered funds, the fiscal 2027 working appropriation, and the fiscal 2028 allowance.

Information Request	Author	Due Date
Report on revenue assumptions, fund balance, and usage of SEIF revenues sourced from RGGI program auctions	DBM	With submission of the Governor’s Fiscal 2028 Budget Books

8. Adopt the following narrative:

Federal Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) Funding for Energy-related Purposes: The committees are interested in tracking federal funds available to the Maryland Energy Administration (MEA) from the IIJA and the IRA for energy-related purposes and the status of implementation of programming using these funds. The committees request that MEA submit a report that includes a list of all IIJA and IRA programs for which it has submitted or anticipates submitting an application, the amount of funding available from each program (if funding allocations have been announced), the status of each application submitted or date funding was awarded, and the planned uses for funding from each program. The report should also provide updates on any withheld funds and the status of the release of funds for any conditional awards.

Additionally, the committees request that MEA provide an update on the implementation of the two home energy rebate programs through IRA funding, the Home Energy Performance-Based, Whole-House Rebate Program and the High-Efficiency Electric Home Rebate Program. The report should include the status of approval of MEA’s application for funding by the U.S. Department of Energy; program design and implementation activities completed, including outreach to the contractor community, and, if initial rebate awards have been made at the time of report submission; the number of rebates awarded under both programs; the average amount per rebate; and the total amount of rebates awarded. If initial rebate awards have not yet

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been made at the time of report submission, the report should include an anticipated timeline of when rebates under both programs will be available to the public.

Information Request	Author	Due Date
Report on federal IIJA and IRA funding and implementation of home energy rebate programs	MEA	December 31, 2026

9. Adopt the following narrative:

Usage of Additional Strategic Energy Investment Fund (SEIF) Revenues Provided to the Maryland Energy Administration (MEA): The fiscal 2027 allowance for MEA includes \$100 million of Alternative Compliance Payments (ACP) deposited in the SEIF, contingent on enactment of legislation expanding allowable uses of ACP revenues in the SEIF. The Budget Reconciliation and Financing Act of 2025 specifies, of the total \$100.0 million, \$70.0 million be used to provide gap financing for at-risk, large-scale clean energy projects and \$30.0 million be used to provide grants and loans to support creation of new Tier 1 renewable energy sources. The committees request that MEA submit a report outlining the uses and planned uses of this funding.

The committees also request MEA to provide an update on and the planned timeline and uses for the remaining portion of the \$90 million transferred from the SEIF to the Dedicated Purpose Account in fiscal 2025.

Information Request	Author	Due Date
Report on the usage of ACP MEA revenues in the SEIF		December 31, 2026

Budget Reconciliation and Financing Act Recommended Actions

1. Strike language authorizing funds from to Renewable Portfolio Standard/Alternative Compliance Payment Account of the Strategic Energy Investment Fund to provide \$20.0 million to the Department of General Services and \$30.0 million to the Maryland Energy Administration for creation of new Tier 1 renewable energy sources, \$10.0 million to the Maryland Department of Transportation for transmission infrastructure, and \$15.0 million to the Public Service Commission for grid-enhancing and transmission technologies that also relate to expanded authorizations in separate legislation to avoid duplication and potentially conflicting outcomes.

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2. Strike language authorizing funds from the Renewable Portfolio Standard/Alternative Compliance Payment Account of the Strategic Energy Investment Fund transferred to the Dedicated Purpose Account to provide \$42.0 million for higher education research grants that were recommended to be deleted in the analysis for Y01A – State Reserve Fund.

Updates

1. Use of \$90 Million Transferred from the SEIF to the DPA

The fiscal 2025 budget transferred \$90 million of SEIF fund balance to the DPA to be used for implementation of provisions of Chapter 38 (the CSNA) and Maryland’s Climate Pollution Reduction Plan. According to the JCR report submitted, MEA provided \$41.78 million in awards in fiscal 2025 across following four programs:

- ***Decarbonizing Schools Program:*** \$6.4 million was awarded to support electrification projects in public school facilities. These funds supported electrification projects;
- ***Electrifying Community Buildings Program:*** \$16.8 million was awarded to electrifying community serving buildings, such as community centers and houses of worship to fund 12 projects. In addition to the projects being implemented by MEA, \$10.0 million of these funds are also being provided to the Department of Housing and Community Development (DHCD) for electrification projects in DHCD’s multifamily housing portfolio;
- ***Community EVSE Program:*** \$9.4 million in grants were used to incentivize EVSE for community and multifamily EV charging. Awards have been made to more than 40 community and multifamily projects serving LMI households. In addition, \$1.0 million of these funds are being provided to DHCD for charging projects in multifamily housing; and
- ***Electric School Bus Program:*** \$9.13 million in grants was provided to incentivize deployment of electric school buses.

In fiscal 2026, MEA plans to use the remaining \$48.2 million in the DPA as follows: \$18.64 million for the Electrifying Community Buildings Program; \$11.5 million for Community and Multifamily EVSE; \$6.7 million for Decarbonizing Schools Program; \$4.0 million for L-GEM; \$4.9 for the Electric School Bus Program; and \$2.5 million for administrative costs associated with implementing these programs.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that MEA prepare four reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Federal IIJA and IRA Funding for Energy-related Purposes:*** A report was submitted with information on federal funds available to MEA from the IIJA and the IRA for energy-related purposes. The report also provided an update on the implementation of the Home Energy Performance-Based, Whole-House Rebate Program, and the High-Efficiency Electric Home Rebate Program through IRA funding. Further discussion of IIJA programs can be found in Proposed Budget section, and IRA programs can be found in Issue 2 of this analysis.
- ***Usage of SEIF Revenues from ACP:*** A report was submitted jointly by MEA and MDOT outlining the planned uses of the \$100.0 million of SEIF fund balance that was transferred to the DPA in fiscal 2026 to be provided to MEA and MDOT. The report also provided an update on the planned uses of the remainder of the \$90.0 million of SEIF fund balance transferred to the DPA in fiscal 2025. Further discussion of the \$100.0 million transferred in fiscal 2026 can be found in the Fiscal 2026 section of this analysis, and the \$90.0 million transferred in fiscal 2025 can be found in Update 1 of this analysis.
- ***Promote Battery Storage Capacity:*** A report was submitted detailing current battery storage capacity and efforts made to increase electric battery storage capacity in the State. Energy storage capacity funded through MEA programs through fiscal 2025 is 37.9 MWh, of which 16.9 MWh were funded through Resilient Maryland and 20.9 MWh through the Energy Storage Income Tax Credit.
- ***MEA Funding in Detail:*** MEA funding in detail was due with submission of the fiscal 2027 budget. The report was required to include information on the actual fiscal 2025 budget, the fiscal 2026 working appropriation, and the fiscal 2027 allowance. The report was submitted on February 19, 2026.

**Appendix 2
Audit Findings**

Audit Period for Last Audit	March 16, 2020 – May 31, 2024
Issue Date	April 2025
Number of Findings	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%

The audit did not disclose any significant deficiencies in the design or operation of MEA’s internal control. The audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

Appendix 3
Object/Fund Difference Report
Maryland Energy Administration

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Working</u> <u>Appropriation</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u>	
				<u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	49.00	54.00	54.00	0.00	0.0%
02 Contractual	18.00	14.00	14.00	0.00	0.0%
Total Positions	67.00	68.00	68.00	0.00	0.0%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$7,317,185	\$8,286,903	\$8,737,508	\$450,605	5.4%
02 Technical and Special Fees	1,035,331	1,402,233	1,634,298	232,065	16.5%
03 Communications	46,029	71,913	71,913	0	0.0%
04 Travel	89,113	184,560	207,480	22,920	12.4%
08 Contractual Services	47,049,424	22,724,831	17,756,165	-4,968,666	-21.9%
09 Supplies and Materials	32,958	12,500	30,000	17,500	140.0%
10 Equipment – Replacement	84,791	40,625	43,625	3,000	7.4%
11 Equipment – Additional	819	21,188	21,188	0	0.0%
12 Grants, Subsidies, and Contributions	166,137,253	249,806,783	365,202,444	115,395,661	46.2%
13 Fixed Charges	928,756	760,796	665,718	-95,078	-12.5%
14 Land and Structures	3,000,000	5,000,000	5,000,000	0	0.0%
Total Objects	\$225,721,659	\$288,312,332	\$399,370,339	\$111,058,007	38.5%
Funds					
03 Special Funds	\$224,069,345	\$280,957,320	\$383,874,226	\$102,916,906	36.6%
05 Federal Funds	1,404,746	7,116,261	15,250,445	8,134,184	114.3%
09 Reimbursable Funds	247,568	238,751	245,668	6,917	2.9%
Total Funds	\$225,721,659	\$288,312,332	\$399,370,339	\$111,058,007	38.5%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 4
Fiscal Summary
Maryland Energy Administration**

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
01 General Administration	\$10,564,654	\$12,422,709	\$12,466,739	\$44,030	0.4%
02 The Jane E. Lawton Conservation Loan Program	3,000,000	5,000,000	5,000,000	0	0.0%
06 Energy Efficiency and Conservation Programs, Low and Moderate Income Residential Sector	34,496,129	17,246,905	34,996,905	17,750,000	102.9%
07 Energy Efficiency and Conservation Programs, All Other Sectors	12,235,833	42,799,085	40,799,085	-2,000,000	-4.7%
08 Renewable and Clean Energy Programs and Initiatives	165,425,043	210,843,633	306,107,610	95,263,977	45.2%
Total Expenditures	\$225,721,659	\$288,312,332	\$399,370,339	\$111,058,007	38.5%
Special Funds	\$224,069,345	\$280,957,320	\$383,874,226	\$102,916,906	36.6%
Federal Funds	1,404,746	7,116,261	15,250,445	8,134,184	114.3%
Total Appropriations	\$225,474,091	\$288,073,581	\$399,124,671	\$111,051,090	38.5%
Reimbursable Funds	\$247,568	\$238,751	\$245,668	\$6,917	2.9%
Total Funds	\$225,721,659	\$288,312,332	\$399,370,339	\$111,058,007	38.5%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.