

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 395
Economic Matters

(Delegates Krimm and Stein)

Finance

Maryland Strategic Energy Investment Fund - Regional Greenhouse Gas Initiative - Use of Proceeds for Maryland Healthy Soils Program

This bill requires that – of the 20% of proceeds received by the Strategic Energy Investment Fund (SEIF) from the sale of allowances under the Regional Greenhouse Gas Initiative (RGGI) that are credited to a renewable and clean energy programs account – \$500,000 of those proceeds must be allocated to the Maryland Healthy Soils Program within the Maryland Department of Agriculture (MDA). **The bill terminates September 30, 2025.**

Fiscal Summary

State Effect: Overall SEIF finances are not affected. The bill shifts \$500,000, on an annual basis, of SEIF special fund revenues and expenditures to the Maryland Healthy Soils Program in MDA, until the bill terminates at the end of September 2025. **This bill establishes a mandated appropriation beginning in FY 2023.**

Local Effect: Local governments may be negatively affected by decreased funding for existing or future financial assistance programs supported by the SEIF renewable and clean energy programs account in the absence of the bill.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Strategic Energy Investment Fund

The Strategic Energy Investment Program has the stated purpose of decreasing energy demand and increasing energy supply to promote affordable, reliable, and clean energy to

fuel Maryland's future prosperity. The program is supported by SEIF, which receives, among other funding, proceeds from the auction of carbon allowances to power plants and other market participants under RGGI. SEIF may be used to, among other things, invest in the promotion, development, and implementation of climate change programs directly related to reducing or mitigating the effects of climate change.

The proceeds received by SEIF from the auction of carbon allowances under RGGI are subject to statutory allocations, including a requirement that at least 20% of the proceeds be credited to a renewable and clean energy programs account for (1) renewable and clean energy programs and initiatives; (2) energy-related public education and outreach; and (3) climate change and resiliency programs.

For more information on SEIF funding, please see the Department of Legislative Services' [analysis](#) (p. 18) of the Governor's proposed fiscal 2021 operating budget for the Maryland Energy Administration (MEA).

Maryland Healthy Soils Program

Chapter 373 of 2017 established the Maryland Healthy Soils Program to (1) improve the health, yield, and profitability of the soils of the State; (2) increase biological activity and carbon sequestration in the soils of the State by promoting practices based on emerging soil science, including planting mixed cover crops, adopting no-till or low-till farming practices, and rotation grazing; and (3) promote widespread use of healthy soils practices among farmers in the State. To carry out the purposes of the program, Chapter 373 requires MDA to (1) provide incentives, including research, education, technical assistance, and, subject to available funding, financial assistance, to farmers to implement farm management practices that contribute to healthy soils and (2) determine whether the program may be implemented in a manner to enhance other State and federal programs that provide financial assistance to farmers.

MDA indicates there are currently no State funds allocated to the program.

State Fiscal Effect: While the bill shifts \$500,000, on an annual basis (until the bill terminates), of SEIF special fund revenues and expenditures under the renewable and clean energy programs account to MDA for the Maryland Healthy Soils Program, the bill is not expected to affect overall SEIF finances.

MEA and the Maryland Department of the Environment (MDE) are allocated the largest amounts of funding from the SEIF renewable and clean energy programs account under the Governor's proposed fiscal 2021 budget (\$6.8 million and \$2.6 million, respectively, consisting of a combination of fiscal 2021 auction revenues and use of fund balance). Shifting of funding from those agencies could limit funding available to (1) assist in the

deployment of clean energy technologies under MEA programs and/or (2) conduct climate change related programmatic activities of MDE.

Local Fiscal Effect: It is uncertain how the shift in SEIF special fund revenues and expenditures will affect existing programs funded with SEIF special funds under the renewable and clean energy programs account; however, the shift may reduce funding available to local governments under existing or future financial assistance programs funded through the SEIF renewable and clean energy programs account in the absence of the bill.

Small Business Effect: Small business farmers may benefit from financial assistance made available under the Maryland Healthy Soils Program as a result of the bill. Similar to the effect on local governments, however, the shift in SEIF special fund revenues and expenditures may reduce funding for existing or future financial assistance programs funded through the SEIF renewable and clean energy programs account that are available to small businesses or that fund projects supported by small businesses.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Agriculture; Maryland Department of the Environment; Maryland Energy Administration; Department of Legislative Services

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