

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 460

(Senator Feldman)

Finance

Economic Matters

**Economic Development - Advanced Clean Energy and Clean Energy Innovation
Investments and Initiatives**

This bill requires the Maryland Energy Innovation Institute (MEII) and the Maryland Clean Energy Center (MCEC) to implement an accelerator program for Maryland-based technology companies engaged in clean energy innovation. MEII and MCEC must also coordinate and consult with certain State entities, as specified. MCEC is designated as a green bank for the State and must work in conjunction with other local and private green banks. MCEC's financing authority is also clarified as it relates to State entities. The Strategic Energy Investment Fund (SEIF) must transfer at least \$2.1 million annually to the Maryland Energy Innovation Fund (MEIF), which must be apportioned to MEII (at least \$0.9 million) and MCEC (at least \$1.2 million). In fiscal 2022 only, the transfer is offset by the amount transferred under a separate provision of law. MCEC's board membership is altered, related terms are defined, and an annual MCEC report is modified to include information related to the bill. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: Special fund revenues for MEIF increase by at least \$0.6 million in FY 2022 and by at least \$2.1 million annually thereafter, as discussed below. Special fund expenditures for MEIF increase correspondingly as funds are used for required and authorized purposes. Overall special fund expenditures for SEIF are not affected, but diverting funds to MEIF decreases revenues available for other SEIF-funded programs. **This bill establishes a mandated distribution beginning in FY 2022.**

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The accelerator program must feature seed funding, training, developmental support for the companies, and pilot projects focused on on-site clean energy generation for buildings.

MCEC may enter into financing transactions with, on behalf of, or for the benefit of any State agency for the purposes of a project on State-owned or State-leased property. Financing may be in any form, including bonds, loans, grants, energy performance contracts, shared energy savings contracts, participation agreements, lease agreements, and reimbursement agreements but may not pledge the faith and credit of the State.

Current Law:

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 established SEIF primarily to contain revenue generated from the sale of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative (RGGI). The allocation of revenue has been altered several times in budget reconciliation legislation. The current allocation requires (1) at least 50% for energy assistance; (2) at least 20% for energy efficiency and conservation (at least one-half for low- and moderate-income programs); (3) at least 20% for renewable and clean energy, energy-related education and outreach, resiliency, and climate change programs; and (4) up to 10% but no more than \$5.0 million for administrative expenses.

Maryland Clean Energy Center and Maryland Energy Innovation Accelerator

MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The Act provided no dedicated funding source. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with the Maryland Energy Administration, collect, analyze, and disseminate industry data; and (5) provide outreach and technical support to further the clean energy industry. MCEC may make grants or provide equity investment financing to clean energy technology-based businesses and may borrow money and issue bonds consistent with its purpose. MCEC may also:

- acquire, develop, improve, manage, market, license, sublicense, maintain, lease as lessor or lessee, or operate a project in the State to carry out its purposes; and
- acquire, directly or indirectly, from a person or governmental unit, by purchase, gift, or devise any property, rights-of-way, franchises, easements, or other interests in

land as necessary or convenient to improve or operate a project to carry out its purposes and on the terms and at the prices that it considers reasonable.

Maryland Energy Innovation Initiative and Fund

Chapters 364 and 365 of 2017 established MEII in the A. James Clark School of Engineering at the University of Maryland, College Park Campus (UMCP) to (1) collaborate with academic institutions in the State to participate in clean energy programs and (2) develop and attract private investment in clean energy innovation. In addition to funding from MEIF, MEII also receives federal and private funding to support its activities.

The Acts also established MEIF in UMCP to support the administrative costs of MCEC and MEII and required that \$1.5 million be transferred from SEIF to MEIF each year from fiscal 2019 through 2022. MEII is authorized to use the fund to purchase advisory services and technical assistance and for administrative, legal, and actuarial expenses of MEII.

State Fiscal Effect: Overall special fund expenditures for SEIF are not affected, but diverting funds for the required MEIF transfers decreases the revenues available to be distributed (and then expended) under the established formula for allocating SEIF revenues from RGGI proceeds for energy assistance, energy efficiency, clean and renewable energy programs, and administrative expenses.

Generally, the bill requires the transfer of at least \$2.1 million annually from SEIF to MEIF. However, the bill also requires, for fiscal 2022 only, that this required transfer be offset by any actual transfers from SEIF to MEIF under Chapters 364 and 265 of 2017. Those Acts require \$1.5 million to be transferred annually from fiscal 2019 through 2022.

Accordingly, special fund revenues for MEIF increase by at least \$0.6 million in fiscal 2022 – reflecting the required offset – and by at least \$2.1 million annually thereafter from new SEIF transfers. In fiscal 2022 only, the required apportioned amounts total at least \$257,143 for MEII and \$342,857 for MCEC – once again reflecting the required offset. In future years, at least \$0.9 million must be apportioned to MEII and at least \$1.2 million must be apportioned to MCEC each year. Special fund expenditures for MEIF increase correspondingly as funds are used for authorized and required purposes (MCEC established the Maryland Energy Innovation Accelerator in 2019).

MCEC advises that the financing authority in the bill related to State entities is largely clarifying in nature and that it may enter into such financing arrangements under current law. However, to the extent that the bill facilitates or authorizes such activity, State finances may be affected; the amount and timing of any effect cannot be reliably estimated at this time.

There is no immediate or necessary effect of designating MCEC as a green bank for the State and requiring it to work as a green bank with other local and private green banks, although such entities are often capitalized with some source of public or ratepayer funds (as is the case under the bill).

State agencies can likely collaborate and coordinate with MCEC and MEII as necessary under the bill with existing budgeted resources.

Small Business Effect: Small businesses pursuing energy innovation benefit from enhanced programs and resources provided by MEII, MCEC, and the funding provided for the accelerator program. Conversely, funds provided through the existing SEIF allocation formula may also benefit small businesses; those funds are no longer available.

Additional Information

Prior Introductions: SB 739 of 2020, a similar bill, received a hearing from the Senate Finance Committee, but no further action was taken. Its cross file, HB 1426, received a hearing from the House Economic Matters Committee, but no further action was taken.

Designated Cross File: HB 419 (Delegate Qi) - Economic Matters.

Information Source(s): Maryland Clean Energy Center; Department of Commerce; University System of Maryland; Department of Budget and Management; Department of General Services; Maryland Energy Administration; Maryland Technology Development Corporation; Department of Legislative Services

Fiscal Note History: First Reader - February 3, 2021
rh/lgc Third Reader - April 10, 2021
Revised - Amendment(s) - April 10, 2021

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