

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 894 (Chair, Environment and Transportation Committee)(By Request - Departmental - Maryland Energy Administration)
 Environment and Transportation and Economic Matters

Transportation Electrification and Modernization (TEAM) Act

This departmental bill (1) extends through fiscal 2025 the Electric Vehicle Recharging Equipment Rebate Program and increases the maximum amount of rebates the Maryland Energy Administration (MEA) may award in each fiscal year; (2) establishes the Medium- and Heavy-Duty Zero Emission Vehicle Grant Program and the Maryland Zero Emission Vehicle Rebate Program within MEA; and (3) alters the allowable uses of the Strategic Energy Investment Fund (SEIF) and Alternative Compliance Payments (ACPs) generated under the State’s Renewable Energy Portfolio Standard (RPS). **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: SEIF expenditures increase by \$17.2 million in FY 2023 and by \$19.0 million annually in FY 2024 and 2025. Revenues are not affected.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	17.2	19.0	19.0	0	0
Net Effect	(\$17.2)	(\$19.0)	(\$19.0)	\$0.0	\$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances may be affected, as discussed below.

Small Business Effect: MEA has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Electric Vehicle Recharging Equipment Rebate Program

The bill extends through fiscal 2025 the Electric Vehicle Recharging Equipment Rebate Program and increases from \$1.8 million to \$2.0 million the maximum amount of rebates MEA may award in each year.

Under current law, the maximum value of the rebate varies based on whether it is issued to an individual, a business entity or unit of State or local government, or a retail service station. The bill repeals the retail service station rebate that provided an additional \$1,000 maximum rebate.

Current law also prohibits MEA from issuing more than one rebate to an individual. The bill specifies instead that MEA may not issue more than one rebate *per address* of an individual. In addition, MEA may alter the program to offer additional benefits for the installation of qualified electric vehicle recharging equipment in multifamily housing, planned urban developments, and condominiums located in environmental justice communities.

Medium- and Heavy-Duty Zero Emission Vehicle Grant Program

Subject to available funds, in fiscal 2023 through 2025, a person or unit of local government may apply to MEA for a grant for qualified vehicles and recharging equipment. A qualified vehicle is a motor vehicle that is (1) rated at more than 8,500 pounds unloaded gross weight and (2) powered by electricity that is stored in a battery or produced by a hydrogen fuel cell. For fiscal 2023 through 2025, the Governor is required to include in the annual budget an appropriation of at least \$5.0 million to the program from SEIF.

Maryland Zero Emission Vehicle Rebate Program

MEA may award an annual maximum of \$12.0 million in rebates during fiscal 2023 through 2025. Subject to available funding, a person may apply to MEA for a grant for a qualified vehicle purchased or leased new and titled for the first time from July 1, 2022, through June 30, 2025. The rebate is equal to (1) \$2,500 for a plug-in electric vehicle or fuel cell electric vehicle; (2) \$1,500 for a plug-in hybrid vehicle; and (3) \$1,000 for a plug-in electric motorcycle. The rebate is increased by \$500 for an individual who claimed and received a federal earned income tax credit in the most recent tax year.

In order to qualify, a vehicle must meet specified requirements, and the rebate is limited to 1 vehicle per individual and 10 vehicles per business entity.

The bill also (1) expands the allowable uses of SEIF to include the Maryland Zero Emission Vehicle Rebate Program and (2) repeals the terminated qualified plug-in electric vehicle and fuel cell electric vehicle tax credit.

Alternative Compliance Payments – Renewable Energy Portfolio Standard

ACPs may only be used to (1) provide supplemental funding for zero-emission vehicles, zero-emission vehicle infrastructure programs, and other transportation sector greenhouse gas reduction and carbon reduction efforts, with priority given to vehicles, programs, and other efforts that benefit environmental justice communities and (2) make energy-related loans and grants, including support for energy efficiency measures, solar renewables, and other Tier 1 renewable sources that directly benefit environmental justice communities. ACPs may not be used to support the purchase of light-duty passenger vehicles.

Current Law/Background:

Electric Vehicle Recharging Equipment Rebate Program

The Electric Vehicle Recharging Equipment Rebate Program, administered by MEA, provides rebates to individuals, businesses, and State and local governments. The rebate is equal to 40% of the cost of property that is located in the State and used for recharging vehicles propelled by electricity, subject to specified maximum values. MEA may also reimburse a person for the reasonable costs of installing the qualifying equipment. MEA may award an annual maximum of \$1.8 million in rebates through fiscal 2023, with funding for these rebates provided by a transfer from SEIF.

Qualified Plug-in Electric Vehicle and Fuel Cell Electric Vehicle Tax Credit

Subject to available funding, a person who purchased a qualified plug-in electric vehicle or a qualified fuel cell electric vehicle prior to July 1, 2020, and applied for the credit by this date may claim a credit against the vehicle excise tax. The credit was equal to 100% of the excise tax imposed, not to exceed \$3,000.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program (and SEIF) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative.

Renewable Energy Portfolio Standard

Maryland’s RPS requires that renewable sources generate specified percentages of Maryland’s electricity supply each year. Electric companies (utilities) and other electricity suppliers must submit renewable energy credits equal to these percentages in each year or else pay an ACP equivalent to the shortfall. ACP revenues are deposited into SEIF and may only be used to make loans and grants to support the creation of new Tier 1 renewable energy sources in the State that are owned by or directly benefit low-income residents of the State. Solar ACPs must be accounted for separately in the fund and may only be used to support the creation of new solar energy sources in the State that are owned by or directly benefit low-income residents of the State. A low-income resident has an annual household income at or below 175% of the federal poverty line.

State Fiscal Effect: The bill (1) extends through fiscal 2025 the Electric Vehicle Recharging Equipment Rebate Program; (2) establishes the Medium- and Heavy-Duty Zero Emission Vehicle Grant Program; and (3) establishes the Maryland Zero Emission Vehicle Rebate Program. As a result, SEIF expenditures increase by \$17.2 million in fiscal 2023 and by \$19.0 million annually in fiscal 2024 and 2025. **Exhibit 1** shows the projected SEIF expenditures by program.

Exhibit 1
Projected Strategic Energy Investment Fund Expenditures
(\$ in Millions)

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Electric Vehicle Recharging Equipment Rebate Program	\$0.2	\$2.0	\$2.0	\$0.0	\$0.0
Medium- and Heavy-Duty Zero Emission Vehicle Grant Program	5.0	5.0	5.0	0.0	0.0
Maryland Zero Emission Vehicle Rebate Program	12.0	12.0	12.0	0.0	0.0
Total	\$17.2	\$19.0	\$19.0	\$0.0	\$0.0

Source: Department of Legislative Services

Electric Vehicle Recharging Equipment Rebate Program

MEA may award an annual maximum of \$2.0 million in rebates in fiscal 2023 through 2025. Accordingly, SEIF expenditures increase by \$0.2 million in fiscal 2023 and by \$2.0 million annually in fiscal 2024 and 2025.

Medium- and Heavy-Duty Zero Emission Vehicle Grant Program

The Governor must include in the annual budget bill an appropriation of at least \$5.0 million annually from SEIF to the program. Assuming the minimum amount is appropriated in each year, SEIF expenditures increase by \$5.0 million annually in fiscal 2023 through 2025. MEA indicates it can administer the program with existing budgeted resources.

Maryland Zero Emission Vehicle Rebate Program

Based on the history of the expired electric vehicle and fuel cell electric vehicle tax credit, it is expected that MEA awards the maximum authorized amount of rebates in each year. As a result, SEIF expenditures increase by \$12.0 million annually in fiscal 2023 through 2025. MEA advises that the agency anticipates using a consultant to administer the program. Additional SEIF expenditures occur to the extent MEA transfers additional SEIF funds to cover these administrative costs.

Other Provisions

The other provisions of the bill are not expected to materially affect State finances. Allowing MEA to use funds from SEIF for additional purposes does not affect overall SEIF expenditures, although individual programs currently funded by SEIF may receive less funding.

Local Fiscal Effect: Units of local government are authorized to apply for a grant under the Medium- and Heavy-Duty Zero Emission Vehicle Grant Program. Accordingly, local grant revenues and expenditures may increase in fiscal 2023 through 2025.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Energy Administration; Department of Budget and Management; Comptroller's Office; Maryland Department of Transportation; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2022
fnu2/hlb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Transportation Electrification and Modernization (TEAM) Act

BILL NUMBER: HB 894

PREPARED BY: Landon Fahrig, Legislative Liaison

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

OR

WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The TEAM Act is anticipated to have a positive impact on small businesses. The Act will extend the EVSE rebate, reintroduce financial incentives for light-duty ZEVs as well as create a novel program to provide support for MHD ZEVs and infrastructure. All three programs are available to Maryland small businesses.