

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 911 (Delegate Vogel, *et al.*)
 Appropriations

Maryland Clean Energy Center - Climate Technology Founder's Fund -
 Establishment

This bill establishes the Climate Technology Founder’s Fund (CTFF) in the Maryland Clean Energy Center (MCEC) to provide early-stage funding for start-up companies focused on qualified projects in climate technologies. Funding recipients must provide 1:1 matching funds. For fiscal 2025, the Governor must include in the annual budget bill an appropriation of \$500,000 to CTFF. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by \$500,000 in FY 2025. Nonbudgeted revenues and expenditures for CTFF increase correspondingly as funds are received and used for authorized purposes. CTFF revenues and expenditures further increase in future years as investment returns are received and used to provide additional rounds of financial assistance. Assumptions for this estimate are discussed below. **This bill establishes a mandated appropriation for FY 2025.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
NonBud Rev.	\$0	\$500,000	-	-	-
GF Expenditure	\$0	\$500,000	\$0	\$0	\$0
NonBud Exp.	\$0	\$500,000	-	-	-
Net Effect	\$0	(\$500,000)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal. Overall funding is limited.

Analysis

Bill Summary: “Climate technology” includes solar energy, wind energy, energy storage devices, grid modernization, carbon capture utilization and storage, and any other technology defined by MCEC that reduces greenhouse gas emissions, mitigates the impacts of climate change, or provides a negative emission benefit in the electric, oil, or gas sector.

MCEC must administer CTFF and establish a Fund Oversight Committee, appointed by the MCEC board, to manage the fund. CTFF consists of (1) money appropriated in the State budget to the fund; (2) money made available to the fund through private contributions and federal grants or programs; (3) proceeds from the sale, disposition, lease, or rental of collateral related to financing made from the fund; (4) repayment of financing made from the fund; (5) returns from or recovery of any financing made from the fund; (6) proceeds from the sale of any financing made or assets acquired with proceeds from the fund; (7) interest earnings; and (8) any other money from any other source accepted for the benefit of the fund.

CTFF may be used only to (1) evaluate and coordinate financing for qualified projects related to the fund’s purpose; (2) provide financing to qualified projects; (3) secure private investment capital for financing of qualified projects; and (4) administer the fund and the activities of MCEC in carrying out the bill. Up to 10% of the CTFF balance may be used for administrative purposes. Expenditures from CTFF may be made only with approval of the Fund Oversight Committee.

A recipient of financial assistance must provide matching funds for the qualified project equal to the amount of financial assistance awarded.

By October 1 each year, MCEC must report to the Governor and the General Assembly on the use of CTFF and outcomes of investments made from the fund.

Current Law: MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. 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; (5) provide outreach and technical support to further the clean energy industry; and (6) work as a green bank and in conjunction with local and private green banks. 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.

State Fiscal Effect: This estimate assumes that CTFE receives a one-time appropriation of \$500,000 in fiscal 2025, consistent with the bill's mandated appropriation. This assumption is based in part on the nature of CTFE, namely that it is potentially evergreen and may provide additional funding in future years with investment returns. The assumption is also based on information provided by MCEC about its anticipated use of the funds in the context of an existing accelerator program. Nevertheless, the Department of Legislative Services advises that the bill conceivably creates an expectation for future rounds of discretionary funding that are not included in this estimate.

MCEC launched the [Maryland Energy Innovation Accelerator](#) (MEIA) in 2019 to focus on early-stage technology commercialization in partnership with Maryland-based universities and laboratories to support the State's clean energy and climate goals. MEIA offers various programs to clean energy and climate technology inventors located in Maryland to create investible clean energy and climate technology businesses.

MCEC advises that it plans to use the \$500,000 in funding provided in fiscal 2025 under the bill to issue nine convertible notes, valued at approximately \$50,000 each, to qualifying applicants that graduated from one of MEIA's programs. The remaining funding, approximately, \$50,000 is anticipated to be used for administrative, legal, accounting, and technical expenses. Convertible notes are short-term debt instruments that are converted into equity at a later date.

Accordingly, general fund expenditures increase by \$500,000 in fiscal 2025. Nonbudgeted revenues for CTFE increase correspondingly as funds are received. Nonbudgeted expenditures for CTFE increase by \$500,000 in total to provide financial assistance for qualified projects and pay for MCEC administrative costs. While expenditures may occur over one or more fiscal years, this estimate assumes expenditures associated with initial funding occur in fiscal 2025. CTFE revenues and expenditures further increase in future years as investment returns are received and used to provide additional rounds of financial assistance.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 900 (Senator Feldman) - Budget and Taxation.

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

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