



Maryland Energy Administration

TO: Members, Senate Budget & Taxation Committee
FROM: Chris Rice – Acting Director, MEA
SUBJECT: SB 112 - State Finance and Procurement – Grants – Prompt Payment Requirement
DATE: January 19, 2023

MEA Position: UNFAVORABLE

Senate Bill 112 fails to incorporate the mechanics of certain rebate-style grant programs and review timelines of competitive grant programs, making the timelines impracticable. Several Maryland Energy Administration (MEA) programs may be significantly impacted, including:

- Low-to-Moderate Income (LMI) Energy Efficiency Grant Program;
- Clean Energy Rebate Program (supporting solar photovoltaic, geothermal, etc);
- Electric Vehicle Supply Equipment (EV Chargers) Rebate Program;
- Resiliency Hub Grant Program (supporting solar plus energy storage for no-cost resiliency centers serving LMI communities); and
- some offshore wind job training programs.

In order to ensure the proper and efficient use of State money, before approving an invoice for payment, MEA has to ensure the work for which a grant is being paid is consistent with the terms of the grant agreement. To make this determination, MEA collects and compares invoices, timesheets, or other documentation to substantiate charges. This is in addition to any energy savings estimates that also need to be verified or calculated in parallel.

For the largest, highest volume program in this category, LMI Energy Efficiency, it currently takes at least 30 days to fully process all documents (energy savings, invoice comparison) assuming no issues arise that require a request of additional information from the grantees. This, in addition to internal financial and external financial processes, is likely to take more than 45 days.

Additionally, it is unlikely that MEA could satisfy the constraints of paragraphs 2-211(g)(2) and (3) for its rebate-style programs. ***More than one day is needed for proper review.*** Once an application is received, MEA's finance and administration team must follow a multiple step process, including several individuals ***–as required for separation of duties and best practices for theft and fraud prevention–*** prior to transmitting a request for payment to the Comptroller.

Lastly, MEA grants are funded by the Strategic Energy Investment Fund (SEIF), which has limited statutory uses. Interest on grant payments is not specifically listed in statute. MEA also questions the ability of an agency to make such interest payments without an appropriation for that purpose, and such payments would detract from the statutory purposes for SEIF funding, such as the programs listed above.

For these reasons, MEA is asking the committee for an **UNFAVORABLE** report.