

**D13A13**  
**Maryland Energy Administration - PAYGO**

***Pay-As-You-Go Capital Budget Summary***

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(\$ in Thousands)

	<i>FY 2002 Approp.</i>	<i>FY 2003 Approp.</i>	<i>FY 2004 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
State Agency Loan Program	\$1,100	\$1,000	\$1,000	\$0	\$1,000
Community Energy Loan Program	1,000	0*	1,000	100%	1,000
<b>Total</b>	<b>\$2,100</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>100%</b>	<b>\$2,000</b>
<b>Fund Source</b>					
Special	2,100	1,000	2,000	100%	2,000
<b>Total</b>	<b>\$2,100</b>	<b>\$1,000</b>	<b>\$2,000</b>	<b>100%</b>	<b>\$2,000</b>

\*Per the 2002 *Joint Chairmen's Report*, a \$1.0 million budget amendment was submitted to fund the Community Energy Loan Program in fiscal 2003.

***Summary of Issues***

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***Use of Community Energy Loan Program (CELP) Funds for the State Agency Loan Program (SALP):*** A transfer of \$400,000 in CELP funding to SALP is proposed for fiscal 2004. **The Department of Legislative Services recommends that MEA brief the committees on how this proposed transfer will affect CELP participation.**

## ***Summary of Recommended Actions***

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1. Concur with Governor's allowance.

## ***Overview***

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The Maryland Energy Administration (MEA) administers two revolving loan programs. The Community Energy Loan Program (CELP) provides low interest rate financing for energy conservation efforts implemented by nonprofits and local government agencies. The State Agency Loan Program (SALP) provides zero-interest loans to State agencies for energy conservation projects. Funding for fiscal 2004 totals \$2.0 million for these programs.

MEA notes that before a loan is approved, any CELP or SALP project must be designated so that the savings from avoided energy costs covers associated loan costs. MEA disburses funds based on post-work invoices. MEA requires projects to make semi-annual repayments, and it may recover funds if a project is not completed.

State agencies are required under the 2001 Green Buildings Executive Order (01.01.2001.02) to use cost-effective energy measures to reduce energy consumption per gross square foot in State buildings by 10% by 2005 and 15% by 2010 relative to the 2000 baseline.

### **Consolidated Administrative Expenses - All Programs**

	<b>FY 2002 Actual</b>	<b>FY 2003 Estimated</b>	<b>FY 2004 Estimated</b>
<b>Sources:</b>			
Special Funds			
Community Energy Loan Program	\$74,469	\$77,689	\$81,068
State Agency Loan Program	26,256	30,000	30,000
<b>Total Funds</b>	<b>\$100,725</b>	<b>\$107,689</b>	<b>\$111,068</b>
<b>Uses:</b>			
Direct Expenses	100,725	107,689	111,068
<b>Total Expenses</b>	<b>\$100,725</b>	<b>\$107,689</b>	<b>\$111,068</b>



## ***State Agency Loan Program Fund Data***

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### **Fund History**

	<i>FY 2002 Actual</i>	<i>FY 2003 Estimated</i>	<i>FY 2004 Estimated</i>
<b>Beginning Balance</b>	\$181,417	\$526,128	\$165,933
<b>REVENUE</b>			
Loan Repayments	765,180	519,805	584,580
Investment Interest	105,787	150,000	175,000
Transfer from CELP	500,000		400,000
<b>TOTAL REVENUE</b>	1,370,967	669,805	1,159,580
<b>TOTAL AVAILABLE</b>	1,552,384	1,195,933	1,325,513
<b>ENCUMBRANCES</b>			
Loans	1,000,000	1,000,000	1,000,000
Operating Expenses	26,256	30,000	30,000
<b>TOTAL ENCUMBRANCES</b>	1,026,256	1,030,000	1,030,000
<b>Ending Balance</b>	\$526,128	\$165,933	\$295,513

### (\$ in Millions)

<i>Description</i>	<i>2002 Approp.</i>	<i>2003 Approp.</i>	<i>2004 Request</i>	<i>2005 Estimate</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>
<b>PAYGO SF</b>	<b>\$1.100</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>

## ***Recommended Actions***

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1. Concur with Governor's allowance.

### ***Fiscal 2004 Proposed Projects***

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<u>County</u>	<u>Project Title</u>	<u>Project Cost</u>	<u>Fiscal 04 Request</u>	<u>State Share</u>
St. Mary's County	St. Mary's College Campus EPC	\$500,000	\$500,000	100%
Statewide	Various projects to be determined		\$500,000	
<b>Total</b>			<b>\$1,000,000</b>	

### ***Fiscal 2003 Project Status***

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<u>Location</u>	<u>Project</u>	<u>Amount</u>	<u>Status</u>
Baltimore County	Department of Health and Mental Hygiene – Rosewood EPC	\$100,000	Under development
Carroll County	Department of Health and Mental Hygiene – Springfield EPC	\$200,000	Under development
Washington County	Department of Public Safety and Correctional Services – Hagerstown Prison Complex	\$600,000	Under development
Statewide	Various projects to be determined	\$100,000	
<b>Total</b>		<b>\$1,000,000</b>	<b>0</b>

## ***Community Energy Loan Program (Statewide)***

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**PAYGO SF**                                      **\$1,000,000**                                      **Recommendation: Approve**

**Program Description:** CELP is a non-lapsing, revolving loan fund that provides low-interest loans for energy conservation project design and installation. MEA makes these loans to nonprofit organizations and local governments. The program was capitalized in fiscal 1989 and 1990 by \$3.2 million in Energy Overcharge Restitution Funds. Interest rates are individually negotiated with borrowers. Rates are guaranteed to be below market rates and may go as low as 0%, but the average rate of interest is approximately 3%.

CELP allows borrowers to use the cost savings generated by the energy efficiency improvements as the primary source of revenue for repaying loans. To date, 41 loans have been made providing over \$8.9 million for energy efficiency improvements.

**Year Program Began:** 1989

**Comments:** While funding was not requested for CELP in the fiscal 2003 budget allowance, this was a technical omission. Per the 2002 *Joint Chairmen's Report*, a \$1.0 million budget amendment was submitted to fund CELP in fiscal 2003.

MEA is proposing to transfer \$400,000 out of CELP and into SALP in fiscal 2004. The additional funds are necessary because SALP is being used to provide supplemental funding to EPCs, which typically have longer payback periods. During fiscal 2002, MEA identified the need for additional funds in the SALP program and transferred \$500,000 from CELP.

## ***Community Energy Loan Program Fund Data***

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### **Fund History**

	<i>FY 2002 Actual</i>	<i>FY 2003 Estimated</i>	<i>FY 2004 Estimated</i>
<b>Beginning Balance</b>	\$2,603,758	\$2,027,975	\$1,945,527
<b>REVENUE</b>			
Loan Repayments and Interest	997,935	995,250	912,000
Transfer to SALP	-500,000		-400,000
Closing Fees Collected	750		
<b>TOTAL REVENUE</b>	498,685	995,250	512,000
<b>TOTAL AVAILABLE</b>	3,102,444	3,023,225	2,457,527
<b>ENCUMBRANCES</b>			
Loans	1,000,000	1,000,000	1,000,000
Operating Expenses	74,469	77,698	81,068
<b>TOTAL ENCUMBRANCES</b>	1,074,469	1,077,698	1,081,068
<b>Ending Balance</b>	\$2,027,975	\$1,945,527	\$1,376,459

(\$ in Millions)

<i>Description</i>	<i>2002 Approp.</i>	<i>2003 Approp.*</i>	<i>2004 Request</i>	<i>2005 Estimate</i>	<i>2006 Estimate</i>	<i>2007 Estimate</i>	<i>2008 Estimate</i>
<b>PAYGO SF</b>	<b>\$1.000</b>	<b>\$0.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>	<b>\$1.000</b>

\* Per the 2002 *Joint Chairmen's Report*, a \$1.0 million budget amendment was submitted to fund CELP in fiscal 2003.

## ***Issues***

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### **1. Use of Community Energy Loan Program Funds for the State Agency Loan Program**

In fiscal 2002, \$500,000 in CELP funding was transferred to SALP, and a \$400,000 transfer is proposed for fiscal 2004. MEA advises that this transfer is necessary to ensure that the SALP fund balance remains positive. Currently, the estimated fund balance for this program hovers at \$165,993 in fiscal 2003 and \$295,513 in fiscal 2004, whereas the CELP fund balance is approximately \$2.0 million. The reasons why MEA believes SALP's fund balance is lower than CELP and in danger of becoming a negative balance include:

- SALP loans are interest-free, whereas CELP loans charge interest as well as up to \$1,000 in application and closing fees;
- since SALP loans are interest-free and often involve larger projects, the payback amounts are usually spread over a longer period of time than CELP; and
- current SALP revenue estimates may not be realized if the investment interest rate drops.

The U.S. Department of Energy has reviewed this proposed reallocation of Energy Overcharge Restitution funds and agrees with the transfer.

**The Department of Legislative Services recommends that MEA brief the committees on how this proposed transfer will affect CELP participation.**

## ***Recommended Actions***

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1. Concur with Governor's allowance.

## ***Fiscal 2004 Proposed Projects***

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There have been numerous changes to MEA's project lists in the past due to the shifting availability of local funds, a preference for grants as opposed to loans, and changes in local priorities. Therefore, MEA was advised to not submit project lists for fiscal 2004.

## ***Fiscal 2003 Project Status***

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<b><u>Location</u></b>	<b><u>Project</u></b>	<b><u>Amount</u></b>	<b><u>Status</u></b>
Montgomery County	City of Rockville	\$400,000	Under development
Worcester County	Ocean City	\$52,445	Received application
Harford County	Harford Community College	\$336,033	Received application
Baltimore City	Sojourner-Douglass College	\$211,522	Construction complete
<b>Total</b>		<b>\$1,000,000</b>	

**Object/Fund Difference Report  
Maryland Energy Administration - PAYGO**

<u>Object/Fund</u>	<u>FY02 Actual</u>	<u>FY03 Working Appropriation</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
14 Land & Structures	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
<b>Total Objects</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>0%</b>
<b>Funds</b>					
03 Special Fund	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 0	0%
<b>Total Funds</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>0%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Fiscal Summary  
Maryland Energy Administration - PAYGO**

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
02 Community Energy Loan Program - Capital Appropriation	\$ 1,000,000	\$ 0	\$ 1,000,000	0%	\$ 1,000,000	0%
03 State Agency Loan Program - Capital Appropriation	1,000,000	1,000,000	1,000,000	0%	1,000,000	0%
<b>Total Expenditures</b>	<b>\$ 2,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 2,000,000</b>	<b>0%</b>	<b>\$ 2,000,000</b>	<b>0%</b>
Special Fund	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000	0%	\$ 2,000,000	0%
<b>Total Appropriations</b>	<b>\$ 2,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 2,000,000</b>	<b>0%</b>	<b>\$ 2,000,000</b>	<b>0%</b>

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.