

Department of Legislative Services  
 Maryland General Assembly  
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1145 (Delegate Walkup, *et al.*)  
 Economic Matters

Renewable Energy Infrastructure Loan Program

This bill establishes a Renewable Energy Infrastructure Loan Program within the Maryland Energy Administration to provide loans to local government entities for renewable energy projects. A Renewable Energy Infrastructure Fund is established to support the program, primarily consisting of money appropriated in the State budget to the program (including money appropriated to the Energy Overcharge Restitution Fund), repayments and prepayments of principal and interest on loans made from the fund, and money received from the sale of State general obligation bonds.

The bill takes effect July 1, 2008.

Fiscal Summary

**State Effect:** To ensure a viable program, general obligation (GO) bond or special/general fund PAYGO expenditures could increase by \$500,000 annually from FY 2009 through 2012 to capitalize the proposed fund. Special fund revenues from loan repayments and investment income would increase; in the long run, revenues would presumably offset expenditures.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	-	-	-	-	-
SF Expenditure	-	-	-	-	-
Other Exp.	500,000	500,000	500,000	500,000	0
Net Effect	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	\$0

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

**Local Effect:** Local governments could benefit from the availability of low-interest rate loans for renewable energy projects under the program.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** In order to finance renewable energy infrastructure projects, MEA may • make, purchase, and participate in making loans; • purchase local obligations issued to finance infrastructure projects; and • provide any other form of financial assistance other than grants. The bill specifies the authority of MEA to take certain actions with respect to loans, local obligations, commitments, instruments, or agreements that it holds or is a party to and with respect to any security that it receives or owns.

A loan from the program may be granted at a below-market interest rate. A loan may be deposited into a revolving loan fund of a county's economic development commission under specified conditions.

A project implemented by a local government entity that generates electricity in excess of the amount needed may offer the extra electricity for trade through markets operated by PJM Interconnection, LLC, though proceeds must be used to repay loan obligations under the program.

MEA must, among other things, • consult with the Maryland Department of the Environment and Public Service Commission to develop methods to oversee and promote renewable energy infrastructure projects; • adopt regulations, by July 1, 2009, to ensure that loans are provided only to projects that carry out the purposes of the program and to generally implement the program; and • develop an outreach campaign to inform schools and other local government agencies about the program and to encourage participation.

In addition to providing loans under the program, the Renewable Energy Infrastructure Fund may be used to pay the expenses of the program.

MEA must report to the Governor and the General Assembly, on an annual basis, the amount of renewable energy generated from the projects implemented under the program.

**Current Law/Background:** Existing loan programs administered by MEA include the State Agency Loan Program, the Community Energy Loan Program, and the Energy Efficiency and Economic Development Loan Program. SALP provides loans to State agencies to make energy-efficiency improvements to State facilities; CELP provides loans for similar purposes to nonprofit organizations and local jurisdictions; and EEEDLP provides loans to Maryland businesses to promote energy conservation, energy

efficiency, energy-related economic development, and stability in business, commercial and industrial sectors. Allowances are included in the Governor's proposed fiscal 2009 budget for SALP and CELP of \$1.0 million and \$1.2 million, respectively. An appropriation for EEDLP was not included in the fiscal 2008 budget and the proposed fiscal 2009 State budget does not include any funds for the program.

PJM Interconnection is the regional electrical transmission organization that serves Maryland. It coordinates the flow of electricity from power plants to distribution companies in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

**State Fiscal Effect:** Based on information provided by MEA, a viable program would likely require a minimum of \$2.0 million in capitalization funds. MEA anticipates that the amount of money paid out in loans in a fiscal year would initially be smaller (\$200,000, for example) but would gradually increase, eventually reaching a point where the program is self-sustaining (*i.e.*, special fund revenues from the repayment of loans and investment earnings would offset the expenditures resulting from making loans each year).

It is assumed that expenditures of \$500,000 annually over the first four years of the program would serve to capitalize the fund and allow for revenues and expenditures from the revolving loan fund to gradually increase over time.

The bill specifies the Energy Overcharge Restitution Fund as a potential source of funding, as well as money received from the sale of GO bonds. Accounting for fiscal 2008 budget deficiency requests for MEA (\$2.0 million from EORF), an estimated \$1.2 million would remain in EORF at the end of fiscal 2008 if those deficiency requests are approved by the General Assembly. Allowances from EORF are also included in the proposed fiscal 2009 State budget. In the absence of the availability of sufficient funds from EORF and given the nature of the projects, it is assumed that additional funding would need to be provided from GO bonds or with PAYGO/general funds.

MEA would incur minimal administrative expenses that would be borne by the proposed fund, as allowed under the bill.

**Small Business Effect:** Small businesses that provide renewable energy services could benefit from additional business opportunities to the extent low-interest financing available under the program generates additional renewable energy projects in the State.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Town of Bel Air, Town of Leonardtown, City of Salisbury, Montgomery County, Baltimore City, Maryland Municipal League, Maryland Department of the Environment, Maryland Energy Administration, Public Service Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2008  
ncs/lgc

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