

D13A
Maryland Energy Administration – Capital

Capital Budget Summary

(\$ in Millions)

	<i>FY 2009 Approp.</i>	<i>FY 2010 Approp.</i>	<i>FY 2011 Allowance</i>	<i>Percent Change</i>	<i>DLS Recommd.</i>
The Jane E. Lawton Loan Program	\$3.500	\$4.802	\$4.750	-1.1%	\$2.188
State Agency Loan Program	1.800	4.850	2.500	-48.5%	5.062
Total	\$5.300	\$9.652	\$7.250	-24.9%	\$7.250
Fund Source					
Special	\$5.300	\$3.556	\$3.288	-7.5%	\$3.288
Federal	0.000	6.096	3.962	-35.0%	3.962
PAYGO Subtotal	\$5.300	\$9.652	\$7.250	-24.9%	\$7.250
Total	\$5.300	\$9.652	\$7.250	-24.9%	\$7.250

Note: The current fiscal 2010 total and federal fund appropriation as presented in the fiscal 2011 Governor’s budget books, for both the Jane E. Lawton Loan Program (JELLP) and the State Agency Loan Program (SALP), is higher than what is shown in this fund summary, by \$697,941 for JELLP and \$150,000 in SALP. The Maryland Energy Administration advises that it intends to reallocate the American Recovery and Reinvestment Act of 2009 funds, which will lower the federal fund appropriation to the amount indicated in this fund summary. In addition, recent allowance prices at Regional Greenhouse Gas Initiative carbon dioxide emission allowances have lowered the anticipated revenue available from the Strategic Energy Investment Fund for JELLP.

Summary of Issues

Impact of Funding Changes on the Jane E. Lawton Loan Program and the State Agency Loan Program: The fiscal 2010 allowance provided \$6.75 million for the Jane E. Lawton Loan Program (JELLP) and \$3.25 million for the State Agency Loan Program (SALP). However, the reallocation of the Strategic Energy Investment Fund (SEIF) through the Budget Reconciliation and Financing Act of 2009, declining expectation of revenue in SEIF, and the availability of funding through the American Recovery and Reinvestment Act of 2009 (ARRA) altered the available funding for JELLP (to approximately \$4.8 million) and SALP (to approximately \$4.9 million) in fiscal 2010. This funding is expected to be reduced further from the fiscal 2010 appropriation. The fiscal 2011 allowance for these programs recognizes the availability of funding from the ARRA, but no additional funds from SEIF. Future year funding is expected to come only through the revolving loan funds of each program. **The Maryland Energy Administration (MEA) should comment on why it does not expect to provide SEIF to JELLP or SALP in the future. MEA should also comment on the impact of the higher level of funding expected to be available in fiscal 2010 and 2011 for these programs in the future.**

Use of Funding Available through the American Recovery and Reinvestment Act of 2009: In fiscal 2010, \$3.6 million is anticipated to be available for SALP and approximately \$2.5 million for JELLP as a result of funding available through the ARRA. The fiscal 2011 allowance provides \$1.4 million for SALP and approximately \$2.6 million for JELLP in funding from the ARRA. This distribution of funding represents a change in priority for the use of the ARRA funds to support commercial and industrial consumers at a higher level than State agencies. **The Department of Legislative Services recommends budget bill language restricting the federal fund appropriation of JELLP to be used only for SALP.**

Summary of Recommended Actions – PAYGO

1. Add budget bill language to transfer federal funds from the Jane E. Lawton Loan Program to the State Agency Loan Program.

Overview

The Maryland Energy Administration (MEA) currently administers two revolving loan programs. Chapters 466 and 467 of 2008 created the Jane E. Lawton Loan Program (JELLP) by consolidating two formerly separate programs (the Community Energy Loan Program and the Energy Efficiency and Economic Development Loan Program). JELLP supports energy conservation projects for nonprofits, local government agencies, and businesses through low-interest rate loans. The second loan program, the State Agency Loan Program (SALP), provides zero-interest loans to State agencies for energy conservation projects, primarily in partnership with energy performance contracts.

MEA's total fiscal 2011 pay-as-you-go (PAYGO) budget allowance for these two programs is approximately \$7.3 million. Of the \$7.3 million total appropriation, approximately \$3.3 million is special funds from the respective revolving loan funds, and the remaining approximately \$4.0 million is funding available from the State Energy Program (SEP) allocation of the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of this funding (approximately \$4.8 million) will be used for JELLP.

The fiscal 2011 allowance for each program is higher than was planned in the *2009 Capital Improvement Program (CIP)*, primarily as a result of funding from the ARRA. The 2010 CIP would provide the same level of funding for SALP in fiscal 2012, higher than planned in the 2009 CIP and then return to the 2009 CIP levels in fiscal 2013 and 2014. By contrast, the 2010 CIP anticipates funding JELLP at lower levels than were planned in the 2009 CIP for fiscal 2012-2014.

Overview Issues

1. Impact of Funding Changes on the Jane E. Lawton Loan Program and the State Agency Loan Program

The fiscal 2010 allowance for JELLP and SALP totaled \$10.0 million with the majority of this funding to be used for JELLP (\$6.5 million). Of the \$10.0 million, \$7.0 million was provided through the Strategic Energy Investment Fund (SEIF). SEIF is composed primarily of revenue from the Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions.

The Budget Reconciliation and Financing Act (BRFA) of 2009 changed the allocation of RGGI revenue from allowances sold between March 1, 2009, and June 30, 2011. This reallocation provided additional SEIF revenue to the Electric Universal Service Program and other electricity assistance programs and reduced the funding available for energy efficiency programs, renewable and clean energy programs, and administrative expenses. As a result of this reallocation, only 17.5% of SEIF revenue is available for energy efficiency activities rather than the anticipated 46.0% in fiscal 2010 and 2011.

Section 25 of the fiscal 2010 budget bill required the Governor to provide a schedule itemizing the reduction of special funds in accordance with the BRFA of 2009. By letter dated July 1, 2009, the Department of Budget and Management provided the itemized reduction required under this section. As a result of this reduction, no SEIF was provided for SALP and only \$1 million was provided for JELLP in fiscal 2010.

The fiscal 2010 appropriation of SEIF assumed a price per allowance of \$3.38; recent auction results have produced prices per allowance well under that estimate. The two most recent auctions had current year allowance prices of \$2.19 and \$2.05. As a result, rather than the \$1 million appropriation from SEIF for JELLP, MEA advises that only \$555,669 is expected to be available for this purpose.

A fiscal 2010 federal fund budget amendment provided SALP an additional \$3.75 million and JELLP an additional \$2.75 million. These funds are available as a result of the SEP allocation from the ARRA. MEA intends to realign its funding from the ARRA; following this realignment, only \$3.6 million would be available for SALP and approximately \$2.5 million for JELLP.

These changes to the appropriation of JELLP and SALP will lead to approximately \$9.7 million to be available for these programs combined rather than the \$10.0 million included in the fiscal 2010 allowance. In addition, these changes led to SALP receiving a slightly higher proportion of MEA's capital program funding than JELLP.

The fiscal 2011 allowance for these programs decrease by approximately \$2.4 million, or 25.0%, to \$7.3 million. The decrease in funding occurs primarily among SALP which decreases by 48.5%, or \$2.4 million. By contrast, the fiscal 2011 allowance for JELLP is relatively stable, a decrease of 1.1%. Despite the decrease in funding compared to fiscal 2010, the fiscal 2011 allowance for each program remains higher than the funding available for fiscal 2009.

No funding is available from SEIF for these programs in the fiscal 2011 allowance; however, funding from ARRA continues to be available to supplement the revolving loan fund revenue. The 2010 CIP does not project any additional federal funds or SEIF for these programs in fiscal 2012 through 2015 and relies solely on the revolving loan funds of these programs.

MEA should comment on why it does not expect to provide SEIF to JELLP or SALP in the future. MEA should also comment on the impact of the higher level of funding expected to be available in fiscal 2010 and 2011 for these programs in the future.

2. Use of Funding Available through the American Recovery and Reinvestment Act of 2009

Including both the operating and capital programs, approximately \$44.8 million of funds from the ARRA are included in MEA's fiscal 2010 working appropriation, of which approximately \$35.2 million is part of the SEP allocation. The fiscal 2011 allowance of MEA, including both the

operating and capital program, provides approximately \$23.6 million of funds available through the ARRA, of which approximately \$14.8 million is part of the SEP allocation.

As noted in Issue 1, a fiscal 2010 budget amendment provided \$2.75 million for JELLP and \$3.75 million for SALP as a result of funding available through the ARRA not anticipated during the budget development process. MEA ultimately plans to use only approximately \$2.5 million for JELLP and \$3.6 million for SALP of this funding in fiscal 2010, however. The ARRA funding provided for each of these programs is available through MEA's SEP allocation.

Planned Use of the ARRA Funds

MEA plans to use the additional funds provided through the ARRA for JELLP only for commercial and industrial sector loans. MEA will provide loans to local governments and nonprofits only through available SEIF and revolving loan funds available in fiscal 2010 and revolving loan funds in fiscal 2011. MEA plans to use the additional funds available through the ARRA for SALP to provide larger loans in each year. As usual, MEA will work with the Department of General Services (DGS) to identify energy performance contracts that could be partnered with SALP loans.

While the ARRA funds available to each program are expected to be used in the same manner in fiscal 2010 and 2011, the relative priority given to each program has shifted in the fiscal 2011 allowance. With additional ARRA funding available for JELLP and fewer ARRA funds available for SALP, the priority in fiscal 2011 would shift to providing funding for energy efficiency to the private sector rather than the public sector.

The Department of Legislative Services (DLS) is concerned about this shift in program priority given that SALP is MEA's primary program to assist State agencies in achieving energy consumption reduction goals set forth in Chapter 427 of 2006. Also, in the current fiscal climate, efforts should be made to look to ways to reduce State agency budgets in the long term. SALP, in combination with energy performance contracts, is one means to accomplish this objective. Providing more funding in SALP would allow not only larger SALP loans to be paired with energy performance contracts but could be used to provide SALP funding for additional energy performance contracts. **Therefore, DLS recommends budget bill language restricting the federal fund appropriation of JELLP to be used only for SALP.**

ARRA Spending Concerns

MEA has advised, through the course of fiscal 2010, that it is experiencing difficulties in spending the ARRA funding due to conditions and restrictions placed on these funds. The specific conditions and restrictions MEA has mentioned are the Buy American Provision, National Environmental Policy Act reviews, requirements for State Historical Trust Fund reviews, and the ability of contractors to comply with the Davis-Bacon (wage) requirements. Similar concerns have arisen in other states ultimately leading to a letter sent by the National Governors Association, National Conference of State Legislatures, National League of Cities, National Association of Counties, Council of State Governments, and the International City/County Management Association

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to the Secretary of the Department of Energy to request a meeting to discuss the concerns of the group which were similar to the issues MEA has discussed.

MEA does not anticipate difficulties in spending the ARRA funding for these programs. For SALP loans specifically, the ARRA funds will be used in combination with energy performance contracts, and DGS which manages these loans has advised MEA that there will not be difficulties in complying with the ARRA requirements. However, MEA acknowledges that no JELLP loans to commercial and industrial loans or SALP loans funded with the ARRA have been finalized; therefore, some unexpected problems could occur.

Jane E. Lawton Conservation Loan Program (Statewide)

PAYGO SF	\$2,187,925	Recommendation:	Add language restricting federal fund appropriation to be used only for the State Agency Loan Program
PAYGO FF	\$2,562,075		

Program Description: The Jane E. Lawton Loan Program (JELLP) was created by Chapters 466 and 467 of 2008 by consolidating the existing Community Energy Loan Program and Energy Efficiency and Economic Development Loan Program. JELLP is a nonlapsing revolving loan fund that provides low interest loans to local governments, nonprofits, and eligible businesses for energy efficiency and conservation projects. The Maryland Energy Administration (MEA) gives priority to school systems and local governments when evaluating applications under this program. These loans are primarily repaid by the energy savings resulting from the project. The regulations for this program were finalized in March 2009.

The Department of Budget and Management estimates that this program, including its predecessor programs, has provided 70 loans totaling approximately \$18.5 million. These loans have been awarded to 34 local governments, 35 nonprofit organizations, and 1 business. These loans are estimated to have cumulative savings of \$24.9 million and annual savings of approximately \$4.1 million. These loans, on average, are paid back in slightly more than four years.

This program was capitalized in fiscal 1989 and 1990 with the Energy Overcharge Restitution Funds. In fiscal 2009 and 2010, additional funds were added to this program from the Strategic Energy Investment Fund (SEIF). In fiscal 2010 and 2011, additional funds have been added to this program from the State Energy Program (SEP) allocation provided through the American Recovery and Reinvestment Act of 2009 (ARRA).

Prior Authorization and Capital Improvement Program

Authorization Request (\$ in Millions)

<i>Description</i>	<i>2009 Approp.</i>	<i>2010 Approp.</i>	<i>2011 Request</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
PAYGO SF	\$3.500	\$2.306	\$2.188	\$3.000	\$3.000	\$3.000	\$3.500
PAYGO FF	0.000	2.496	2.562	0.000	0.000	0.000	0.000
Total	\$3.500	\$4.802	\$4.750	\$3.000	\$3.000	\$3.000	\$3.500

Note: The fiscal 2010 appropriation reflects the Maryland Energy Administration's revised spending plan for the American Recovery and Reinvestment Act of 2009 funding and Strategic Energy Investment Fund which has not been formally recognized in the appropriation, and as a result, will not match the level in the fiscal 2011 Governor's budget books for this program.

In fiscal 2009, JELLP initially had an appropriation of \$1.2 million. A special fund budget amendment from SEIF appropriated an additional \$2.3 million to this program. These special funds were available from the first two Regional Greenhouse Gas Initiative (RGGI) carbon dioxide emission allowance auctions.

The fiscal 2010 allowance provided \$6.75 million, including \$5.0 million from SEIF. However, the Budget Reconciliation and Financing Act of 2009 contained a provision to reallocate SEIF temporarily to provide additional funding for the Electric Universal Service Program and other electricity assistance. As a result, SEIF available for JELLP was reduced to \$1.0 million. However, SEIF revenue has been lower than anticipated as a result of lower than anticipated price per allowance in recent RGGI auctions. MEA advises that as a result of the lower than anticipated SEIF revenue, only \$555,669 from SEIF is expected to be available for JELLP in fiscal 2010.

In addition, a fiscal 2010 budget amendment added \$2.75 million of funds for JELLP. These funds are available as a result of the SEP allocation from the ARRA. MEA advises, however, that rather than the \$2.75 million from the ARRA available for JELLP, only approximately \$2.5 million will ultimately be used. MEA intends to realign its ARRA spending plan for fiscal 2010, but this has not yet formally occurred. The fiscal 2010 appropriation shown in the authorization request reflects MEA's revised spending plan and as a result will not match the fiscal 2011 Governor's budget books for this program.

The fiscal 2011 allowance of \$4.75 million is higher than was expected from what was programmed in the *2009 Capital Improvement Program (CIP)*, primarily as a result of funding available through the ARRA. However, the 2010 CIP revises downward the projected funding for JELLP in fiscal 2012 through 2014. In each of these years, the appropriation for JELLP is expected to be through the revolving loan fund rather than including new funding from other sources.

Fund Data**Fund History**

	<i>FY 2009 Actual</i>	<i>FY 2010 Estimated</i>	<i>FY 2011 Estimated</i>
Beginning Balance	-\$147,524	\$1,440,397	\$621,552
Revenue			
General Funds	\$0	\$0	\$0
Loan Repayment	833,147	1,427,187	1,872,484
Investment Interest	131,331	155,458	215,666
Transfer of Other Funds	3,561,382	3,052,059	2,562,075
Closing Fees Collected	750	0	0
Cancellation of Encumbrances	0	0	0
Total Revenue	\$4,526,610	\$4,634,704	\$4,650,225
Total Available	\$4,379,086	\$6,075,101	\$5,271,777
Encumbrances			
Loans*	\$2,880,655	\$5,390,000	\$4,750,000
Operating Expenses	58,034	63,549	65,666
Total Encumbrances	\$2,938,689	\$5,453,549	\$4,815,666
Ending Balance	\$1,440,397	\$621,552	\$456,111

*Loans made as of January 25, 2010 = \$0

The fund history chart reflects a negative beginning balance for fiscal 2009. This negative balance is the result of encumbrances exceeding available cash. However, because not all of the money is disbursed at the time the loan is executed, this is not a concern. As shown in the fund history chart, JELLP had a positive ending balance of approximately \$1.4 million at the close of fiscal 2009.

This chart reflects transfers of additional funds into JELLP in fiscal 2009, 2010, and 2011. In fiscal 2009, these transfers included \$2.3 million available from SEIF brought in by budget amendment, a transfer of \$900,000 from the State Agency Loan Program to resolve an audit issue, and the transfer of funds from the Energy Efficiency and Economic Development Loan Program brought into JELLP.

The fiscal 2010 transfer accounts for \$555,669 of anticipated revenue available from SEIF and the approximately \$2.5 million of anticipated funding from the ARRA discussed earlier.

The fiscal 2011 transfer results from approximately \$2.6 million of funding available from the ARRA. For fiscal 2012 through 2015, no additional transfers of funds are expected in the 2010 CIP.

In fiscal 2009, the closing fees collected, of \$750, represented closing fees of \$250 each for three loans.

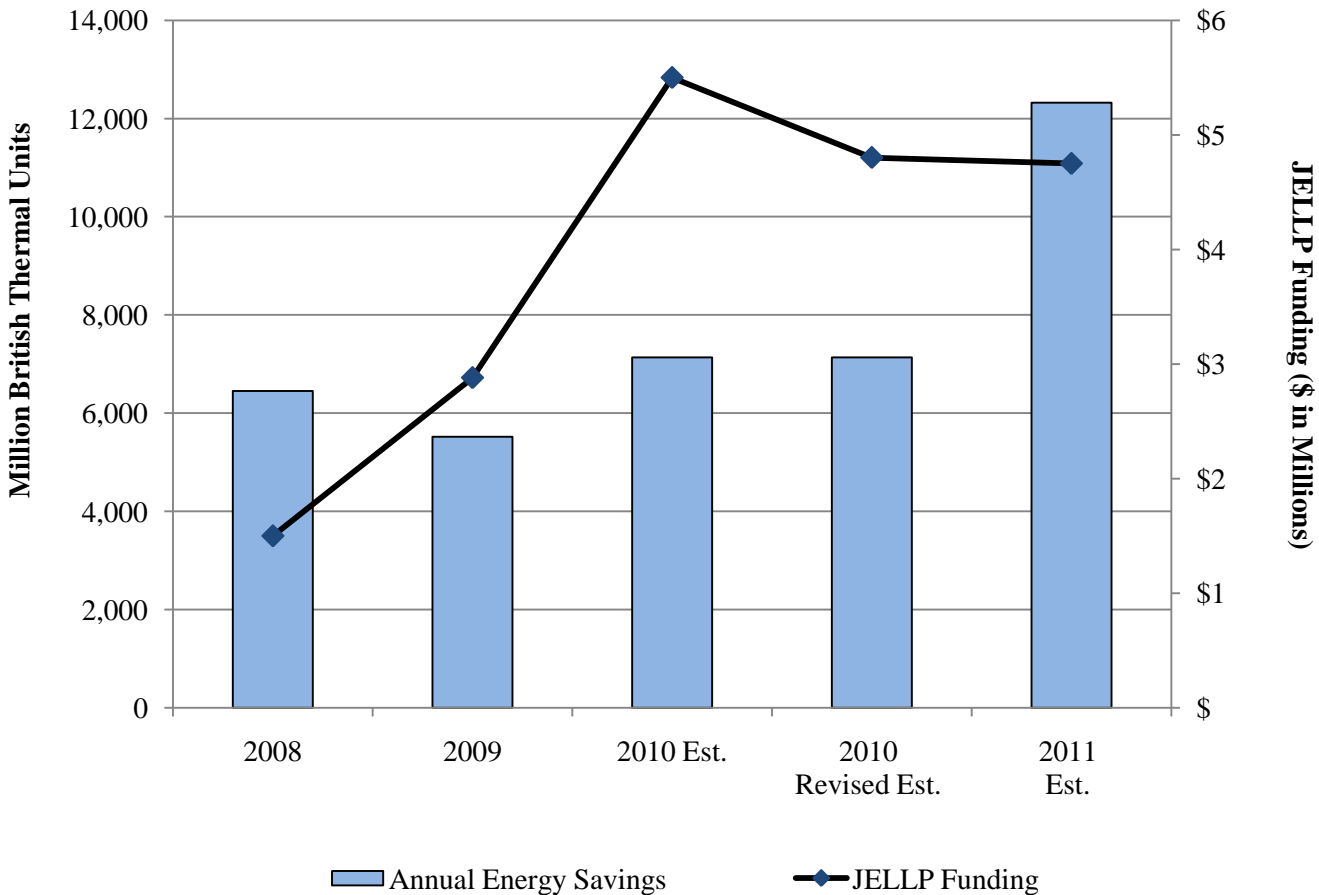
Of note, in fiscal 2009, MEA had an appropriation of \$3.5 million for JELLP. MEA cancelled \$619,345 of this appropriation. In fiscal 2009, MEA offered both grants and loans to some applicants for JELLP, and these applicants chose to take the grants rather than the loans. The grant program is funded in MEA's operating budget. Because this occurred late in the fiscal year, MEA was not able to find additional applicants for these loans. As a result, only approximately \$2.9 million of funds were encumbered in JELLP in fiscal 2009.

Program Analysis and Performance

As shown in **Exhibit 1**, the trend of annual energy savings through JELLP does not always follow the trend of the appropriation. In fiscal 2009, despite an increase in actual expenditures of 92.0%, approximately \$1.4 million, the annual energy savings from JELLP projects decrease by 14.4%. MEA advises fiscal 2009 figures do not represent the full amount of savings projected as a result of funds committed for that year. Some projects are under further review, and the anticipated savings are not included in the information shown in Exhibit 1.

Between fiscal 2010 and 2011, the estimated funding level of JELLP decreases by \$750,000; however, the annual energy savings is expected to increase by 72.7%. The estimated funding level for JELLP in fiscal 2010 presented in the fiscal 2011 Managing for Results submission is higher than MEA's current estimate of JELLP funding, approximately \$4.8 million. As shown in Exhibit 1, even with the revised estimate of funding, the funding level between fiscal 2010 and 2011 decreases slightly while the annual energy savings is expected to increase. **MEA should comment on why the annual energy savings in fiscal 2011 does not reflect the relatively stable appropriation level.**

Exhibit 1
JELLP Energy Savings vs. Funding
Fiscal 2008-2011



JELLP: Jane E. Lawton Loan Program

Source: Maryland Energy Administration; Governor’s Budget Books

Recommended Actions

1. Add the following language to the federal fund appropriation:

, provided that \$2,562,075 of this appropriation, made for the purpose of the Jane E. Lawton Conservation Loan Program – Capital Appropriation, may not be expended for that purpose but instead may be transferred by budget amendment to program D13A13.03 to be used only for the State Agency Loan Program – Capital Appropriation. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be cancelled.

Explanation: This language requires the federal fund appropriation of the Jane E. Lawton Loan Program available from the American Recovery and Reinvestment Act of 2009 to be transferred to the State Agency Loan Program (SALP). If these funds are not expended for SALP, the funds may only be cancelled. The Maryland Energy Administration (MEA) intended to use these funds to support energy conservation projects for commercial and industrial customers. MEA advises that it works with the Department of General Services to identify energy performance contracts for State agencies that could benefit from a SALP loan. The additional federal funds will provide additional funding to help reduce State agency energy consumption in fiscal 2011 and going forward as these funds are repaid into the revolving loan account.

Fiscal 2011 Proposed Projects

MEA does not expect to begin the application process for fiscal 2011 until the fiscal 2010 application cycle has been completed. As a result, no projects have been identified for funding at this time.

MEA advises that similar to fiscal 2010, in fiscal 2011, it intends to use the ARRA funding for JELLP to provide loans to commercial and industrial projects. The revolving loan portion of the funding would be used for local governments and nonprofit organizations.

Fiscal 2010 Authorized Projects Status

MEA indicates that the applications for commercial and industrial projects, which will be funded through the ARRA, were due on February 12, 2010. The applications for projects by local governments and nonprofit organizations are not due until March 1, 2010. As a result, MEA has not committed funds to any projects in fiscal 2010.

MEA should comment on when decisions on applications can be expected and whether it intends in the future to continue to provide an application deadline for JELLP more than halfway through the fiscal year.

Fiscal 2009 Project Status

<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>Status</u>
City of Annapolis	Anne Arundel County	\$40,000	Funds committed but not drawn; project experiencing delays by applicant
Baltimore Medical Systems	Baltimore City	906,768	Funds committed but not drawn
American Visionary Art Museum	Baltimore City	60,000	Agreement complete; funds have been drawn; repayment expected to begin May 2010
City of Westminster	Carroll County	76,000	Funds committed but not drawn
Cambridge Housing Authority	Dorchester County	593,232	Funds committed but not drawn
City of Landover Hills	Prince George’s County	20,000	Funds committed but not drawn; project pending the feasibility study review
City of Hyattsville	Prince George’s County	50,000	Funds committed but not drawn; project pending the feasibility study review
City of Mt. Rainier	Prince George’s County	100,000	Funds committed but not drawn; project application under review
CASA de Maryland	Prince George’s County	170,000	Applicant not able to provide required security; project denied and withdrawn
Somerset County	Somerset County	300,000	Funds committed; loan agreement pending; funds not drawn
City of Salisbury	Wicomico County	300,000	Loan agreement pending; funds not drawn

MEA explains that the total loan awards provided in the fiscal 2009 project list by MEA for JELLP is lower than the funds encumbered and expended in that year as a result of \$264,655 of fiscal 2009 funds being used for the balance of a loan made in fiscal 2008 to Johns Hopkins University.

State Agency Loan Program (Statewide)

PAYGO SF	\$1,100,000	Recommendation:	Concur
PAYGO FF	\$1,400,000		

Program Description: The State Agency Loan Program (SALP) is a nonlapsing, revolving loan fund that provides zero-interest loans to State agencies for energy conservation projects. The Maryland Energy Administration (MEA) charges a 1% administrative fee to State agencies for SALP loans. The loans are repaid from the energy savings associated with the project. This program was capitalized with Energy Overcharge Restitution Funds between fiscal 1991 and 1997. In fiscal 2009, this program received additional funds from the Strategic Energy Investment Fund (SEIF). In fiscal 2010 and 2011, this program has received additional funds available through the State Energy Program (SEP) allocation of the American Recovery and Reinvestment Act of 2009 (ARRA).

MEA uses approximately 80% of the appropriation for SALP each year in partnership with energy performance contracts. MEA works with the Department of General Services (DGS) to identify those energy performance contract projects that would benefit from a SALP loan. The remaining 20% of the SALP appropriation is used for projects that are too small for an energy performance contract. These projects are identified through a solicitation process.

SALP helps State agencies to meet the legislatively mandated goal of reducing energy consumption in buildings from the 2005 level by 5% in fiscal 2009 and 10% in fiscal 2010 as provided in Chapter 427 of 2006.

According to the Department of Budget and Management, as of the beginning of fiscal 2010, MEA had provided 71 loans through SALP since 1991. These projects had cumulative energy savings of approximately \$22.5 million and an estimated annual energy savings of approximately \$3.0 million. On average, it takes approximately 6.5 years for a State agency to achieve the energy cost savings to pay back the loan.

Prior Authorization and Capital Improvement Program

Authorization Request (\$ in Millions)

<i>Description</i>	<i>2009 Approp.</i>	<i>2010 Approp.</i>	<i>2011 Request</i>	<i>2012 Estimate</i>	<i>2013 Estimate</i>	<i>2014 Estimate</i>	<i>2015 Estimate</i>
PAYGO SF	\$1.800	\$1.250	\$1.100	\$2.500	\$2.250	\$2.250	\$2.250
PAYGO FF	0.000	3.600	1.400	0.000	0.000	0.000	0.000
Total	\$1.800	\$4.850	\$2.500	\$2.500	\$2.250	\$2.250	\$2.250

Note: The fiscal 2010 appropriation reflects the Maryland Energy Administration's revised spending plan for the American Recovery and Reinvestment Act of 2009 funding, which has not been formally recognized in the appropriation, and as a result, will not match the appropriation level in the fiscal 2011 Governor's budget books.

In fiscal 2009, MEA submitted a budget amendment to provide SALP with an additional \$800,000 in special funds from SEIF. SEIF was available from the revenue from the first two Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions.

The fiscal 2010 allowance for SALP provided \$3.25 million in special funds. Of these special funds, \$2.0 million were anticipated to be available from SEIF. However, the Budget Reconciliation and Financing Act of 2009 reallocated SEIF revenue to provide additional support the Electric Universal Service Program and other electricity assistance. As a result, no special funds were available from SEIF for SALP in fiscal 2010.

A fiscal 2010 budget amendment appropriated \$3.75 million of federal funds from the SEP allocation of the ARRA for SALP. However, MEA plans to use only \$3.6 million from the ARRA for SALP in fiscal 2010. This revised plan has not been recognized formally in the fiscal 2010 working appropriation of MEA. Therefore, the fiscal 2010 appropriation listed in the authorization request will not match the level contained in the fiscal 2011 Governor's budget books.

The fiscal 2011 allowance provides \$1.4 million of federal funds from the ARRA and \$1.1 million of revolving loans, for a total appropriation of \$2.5 million. The fiscal 2011 allowance is \$500,000 higher than was anticipated in the *2009 Capital Improvement Program (CIP)*.

The 2010 CIP increases the estimated fiscal 2012 appropriation for SALP by \$250,000 to \$2.5 million. The 2010 CIP for fiscal 2013 and 2014 are consistent with the 2009 CIP.

State Agency Loan Program Fund Data

Fund History

	<i>FY 2009 Actual</i>	<i>FY 2010 Estimated</i>	<i>FY 2011 Estimated</i>
Beginning Balance	\$1,112,786	\$222,835	\$66,468
Revenue			
General Funds	\$0	\$0	\$0
Loan Repayment	950,660	1,051,064	1,712,073
Investment Interest	80,739	72,569	175,600
Transfer from Other Funds	-100,000	3,600,000	1,400,000
Cancellation of Encumbrances	0	0	
Total Revenue	\$931,399	\$4,723,633	\$3,287,673
Total Available	\$2,044,185	\$4,946,468	\$3,354,141
Encumbrances			
Loans*	\$1,800,000	\$4,850,000	\$2,500,000
Operating Expenses	21,350	30,000	30,000
Total Encumbrances	\$1,821,350	\$4,880,000	\$2,530,000
Ending Balance	\$222,835	\$66,468	\$824,141

*Loans made as of February 5, 2010 = \$65,000 (1 loan)

Overall, the ending balance of SALP is expected to decrease from fiscal 2009 to 2010, but increase in fiscal 2011. MEA anticipates encumbering more funds in fiscal 2010 than it expects to receive in revenue from loan repayments, transfers in from other funds, and investment interest.

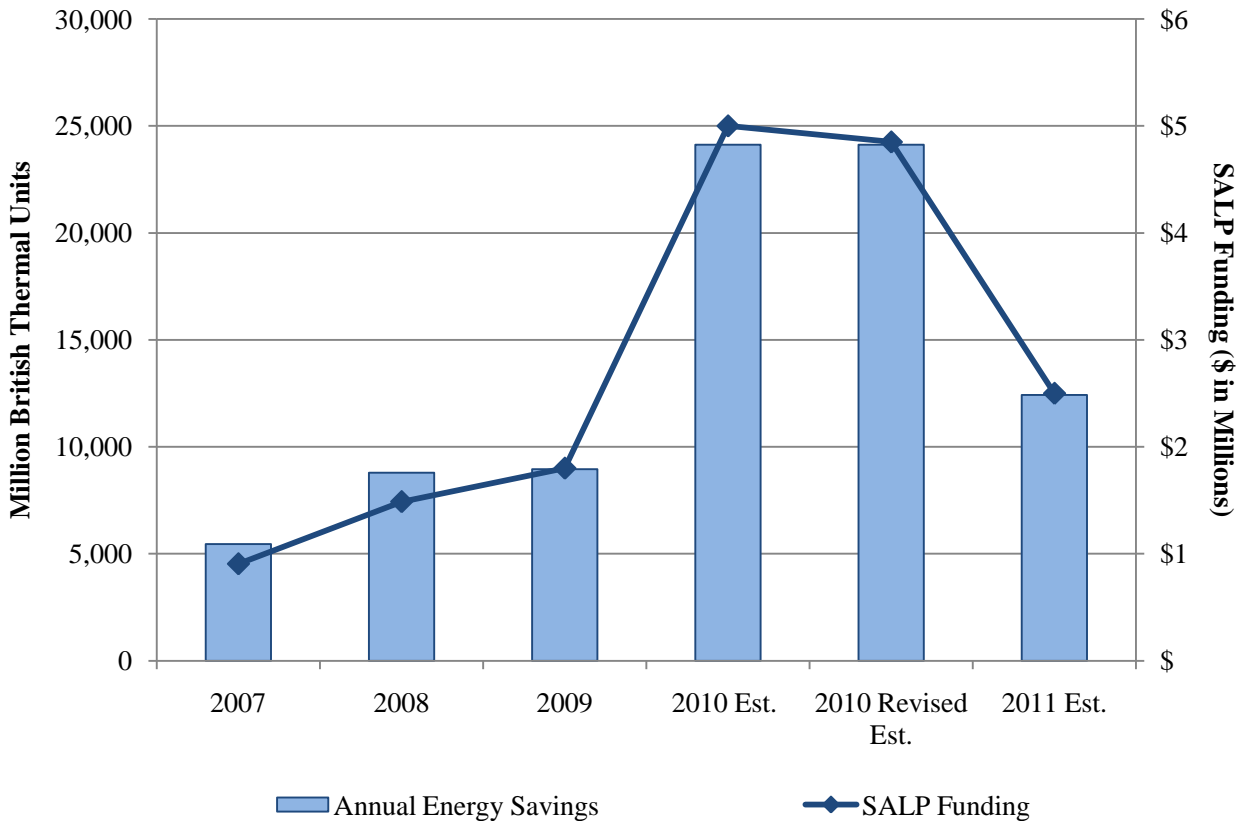
In fiscal 2009, SALP transferred \$900,000 to the Jane E. Lawton Loan Program to resolve an audit finding. This transfer of funds was partially offset by a budget amendment providing \$800,000 to SALP from SEIF. These changes are reflected in the fiscal 2009 transfer from the other funds line for a net of -\$100,000.

In fiscal 2010 and 2011, the fund history chart reflects the transfers of funds available through the ARRA into SALP.

Program Analysis and Performance

As shown in **Exhibit 2**, the annual energy savings from SALP projects generally follow the trend of SALP funding. MEA anticipates an increase in annual energy savings of approximately 169.3% between fiscal 2009 and 2010. This increase is comparable to the increase in funding between fiscal 2009 and 2010, approximately 177.8%. The fiscal 2010 appropriation presented in the fiscal 2011 Managing for Results submission overstates the amount that MEA anticipates actually encumbering and spending in that year by \$150,000. Even after accounting for the overstatement of appropriation, the fiscal 2010 appropriation increases by a comparable level as the increase in the estimated annual energy savings in that year.

Exhibit 2
SALP Energy Savings vs. Funding
Fiscal 2007-2011



SALP: State Agency Loan Program

Source: Maryland Energy Administration; Fiscal 2011 Governor’s Budget Books

Recommended Actions

1. Concur with Governor's allowance.

Fiscal 2011 Proposed Projects

MEA has not specifically identified any projects to be completed with the fiscal 2011 funding; however, it explains that some of the projects identified by DGS for potential energy performance contracts may eventually receive a loan from SALP. As of December 15, 2009, DGS was in various stages of review for 15 projects.

MEA also indicates that the solicitation process for the SALP loan funds reserved each year for small projects will begin following the start of fiscal 2011.

Fiscal 2010 Authorized Projects Status

<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>Status</u>
Maryland State Police	At barracks throughout the State	\$200,000	The Department of General Services has forwarded a copy of the cash flow analysis to MEA; the cash flow analysis is under review
Maryland Department of Transportation – Secretary’s Office	Anne Arundel County	100,000	Project under review
Maryland Aviation Administration	Anne Arundel and Baltimore counties	200,000	Awaiting cash flow analysis
Maryland Stadium Authority	Baltimore City	1,000,000	Cash flow analysis under review
Department of Health and Mental Hygiene – Spring Grove Hospital	Baltimore County	18,354	Project under review
Towson University Energy Performance Contracts	Baltimore County	200,000	Awaiting cash flow analysis
University of Maryland Baltimore County Energy Performance Contract	Baltimore County	1,000,000	Awaiting cash flow analysis
Department of Public Safety and Correctional Services – Jessup Complex	Howard County	1,500,000	Originally requested at \$75,000; awaiting cash flow analysis
University of Maryland, College Park Energy Performance Contract #2	Prince George’s County	435,000	Awaiting cash flow analysis
University of Maryland, College Park	Prince George’s County	250,000	Project under review
Department of Veterans Affairs – Charlotte Hall	St Mary’s County	65,000	Loan has been executed

D13A – Maryland Energy Administration – Capital

The potential SALP projects presented by MEA in fiscal 2010 total approximately \$5.0 million, approximately \$150,000 more than the SALP appropriation. The larger Energy Performance Contract projects have been finalized with DGS to receive funding. MEA indicates it is currently reviewing the three small projects: (1) Maryland Department of Transportation – the Secretary’s Office; (2) Department of Health and Mental Hygiene – Spring Grove Hospital; and (3) University of Maryland, College Park to determine which of the projects should receive loans. When this decision is finalized, MEA is expected to stay within the fiscal 2010 appropriation.

Fiscal 2009 Project Status

<u>Project</u>	<u>Location</u>	<u>Amount</u>	<u>Status</u>
Maryland Department of Agriculture	Anne Arundel County	\$200,000	Loan awarded
Department of General Services Annapolis Complex	Anne Arundel County	200,000	Loan awarded
University of Baltimore	Baltimore City	300,000	Loan awarded
University of Maryland, College Park (UMCP) Hallway Lighting Project	Prince George’s County	500,000	Loan awarded
UMCP Energy Performance Contract	Prince George’s County	500,000	Loan awarded
UMCP Desktop Thin Client	Prince George’s County	15,000	Loan awarded
UMCP Classroom Lighting Project	Prince George’s County	900,000	Loan was not awarded
UMCP Office Lighting Project	Prince George’s County	1,200,000	Loan was not awarded
UMCP Fume Hood Improvement Project	Prince George’s County	95,000	Loan was not awarded
UMCP HVAC Variable Frequency Drive Project	Prince George’s County	500,000	Loan was not awarded
Department of Veterans Affairs – Charlotte Hall	St Mary’s County	85,000	Loan awarded

HVAC: heating, ventilation, and air conditioning