HB 145

Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader - Revised

House Bill 145 (Delegate Boafo)
Economic Matters and Appropriations

Green and Renewable Energy for Nonprofit Organizations Loan Program and Fund

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This bill establishes a Green and Renewable Energy for Nonprofit Organizations Loan Program in the Maryland Energy Administration (MEA) and authorizes (1) transfers of money from the Strategic Energy Investment Fund (SEIF) to support the program and (2) specified appropriations for the program for fiscal 2027 and 2028. **An uncodified provision requiring MEA to establish an application process, guidelines, considerations, and an advertising campaign for the program, takes effect July 1, 2025; other provisions relating to the program take effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by $135,800 in FY 2026 only. Special fund (SEIF) expenditures increase by $5.0 million in FY 2027 and by a potentially significant amount in FY 2028 (as much as $5.0 million or more). General fund revenues increase relatively minimally from interest earnings in FY 2027 and 2028.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	$0	-	-	$0	$0
GF Expenditure	$135,800	$0	$0	$0	$0
SF Expenditure	$0	$5,000,000	-	$0	$0
Net Effect	($135,800)	($5,000,000)	(-)	$0	$0

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

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Green and Renewable Energy for Nonprofit Organizations Loan Program

The stated purpose of the Green and Renewable Energy for Nonprofit Organizations Loan Program is to provide financial assistance in the form of no-interest loans to nonprofit organizations for the planning, purchase, and installation of qualifying energy systems in the State. MEA must (1) manage, supervise, and administer the program; (2) adopt regulations to ensure that loans provided to nonprofit organizations carry out the purpose of the program; and (3) attach specific terms to any loan that are considered necessary to ensure that the purpose of the program is fulfilled.

To receive a loan under the program, a borrower must file an application with MEA. The application must contain any information MEA determines is necessary, including (1) the projected cost of the qualifying energy system or technical assistance being financed through the loan; (2) the location of the property where the qualifying energy system will be installed and whether the property is owned or leased by the applicant; and (3) any additional information relating to the borrower or the proposed qualifying energy system being financed through the loan that may be required by MEA in order to administer the program. An uncodified provision of the bill requires MEA, by July 1, 2026, to (1) establish an application process for loans made under the program; (2) set guidelines and considerations for application, selection, and repayment, as specified; and (3) develop and implement an advertising campaign for the program.

In approving an application, MEA must consider and give priority to an applicant that has an annual budget of $1.0 million or less.

Loans from the Green and Renewable Energy for Nonprofit Organizations Loan Fund (discussed below), that supports the program, may be used for (1) the purchase and installation of a qualifying energy system, including any necessary ancillary machinery, equipment, or furnishings and (2) technical assistance for the planning and installation of a qualifying energy system. MEA may approve an application for a loan for the purchase and installation of a qualifying energy system only if the application demonstrates that the proposed qualifying energy system is estimated, based on projected energy costs, to generate energy cost savings over the useful life of the system that equal or exceed the total amortized cost of the loan. Each borrower, for a loan for the purchase and installation of a qualifying energy system, must contribute at least 10% of the cost of the qualifying energy system. Loans made under the program must be repayable by the borrower in accordance with a schedule set by MEA, which may be on a deferred payment basis. A borrower must provide assurances for the repayment of a loan that (1) must include a promissory note and (2) may include a plan for repayment.

Loans may be made in conjunction with, or in addition to, financial assistance provided through other State or federal programs.

Green and Renewable Energy for Nonprofit Organizations Loan Fund

The bill establishes a Green and Renewable Energy for Nonprofit Organizations Loan Fund administered by MEA. The fund consists of (1) money appropriated in the State budget to the program; (2) money transferred from SEIF; (3) money received from any public or private source; (4) interest and investment earnings of the fund; and (5) repayments and prepayments on loans made from the fund. The State Treasurer must hold the fund separately, and the Comptroller must account for the fund.

In fiscal 2027, the bill authorizes the Governor to include in the annual budget bill an appropriation of $5.0 million for the fund. In fiscal 2028, the Governor is authorized to include in the annual budget bill an appropriation equal to at least $5.0 million minus the amount in the fund as of June 30 of the immediately preceding fiscal year.

The fund may only be used to pay the expenses of the program and provide loans to eligible borrowers under the program. The State Treasurer must invest and reinvest the money of the fund in the same manner as other State money may be invested. Any investment earnings of the fund must be paid into the fund. In addition, any repayment on loans made from the fund must be paid into the fund.

Selected Definitions

"Nonprofit organization" means an organization that is exempt from federal income tax under § 501(c)(3) of the Internal Revenue Code.

"Qualifying energy system" means a system that (1) generates electricity or usable thermal energy that is used to meet on-site demand and (2) assists the State in meeting the environmental and greenhouse gas reduction goals under Title 2, Subtitle 12 of the Environment Article of the Maryland Code.

Current Law:

Jane E. Lawton Conservation Loan Program

The stated purpose of the Jane E. Lawton Conservation Loan Program within MEA is to provide financial assistance in the form of low-interest and zero-interest loans to nonprofit organizations, local jurisdictions, State agencies, and eligible businesses for projects to (1) promote energy conservation; (2) reduce consumption of fossil fuels; (3) improve energy efficiency; (4) enhance energy-related economic development and stability in the nonprofit, commercial, and industrial sectors; and (5) reduce greenhouse gas emissions.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program in MEA and the implementing SEIF (administered by MEA) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI), and the fund also receives revenues from compliance fees – often referred to as alternative compliance payments (ACPs) – generated under the State's Renewable Energy Portfolio Standard (RPS).

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than $7.5 million for administrative expenses.

ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities. From fiscal 2025 through 2027, at least 20% of ACP revenues resulting from solar energy requirements under the RPS must be used to provide grants to support the installation of new solar energy generating systems under the Customer-Sited Solar Program.

State Fiscal Effect:

General Fund Expenditures – Fiscal 2026

General fund expenditures increase by $135,842 in fiscal 2026 only, reflecting the cost of MEA hiring staff in fiscal 2026 to develop and advertise the program pursuant to the uncodified provision of the bill that takes effect July 1, 2025. When the remainder of the bill, including the establishment of the Green and Renewable Energy for Nonprofit Organizations Loan Fund, takes effect July 1, 2026, the cost of these staff are assumed to be covered by expenditures from the Green and Renewable Energy for Nonprofit Organizations Loan Fund, as described further below.

The estimate for fiscal 2026 assumes a 90-day start-up delay from the bill's July 1, 2025, effective date and reflects the cost of MEA hiring one full-time finance manager and one half-time energy specialist. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	1.5
Salaries and Fringe Benefits	$121,518
Operating Expenses	14,324
Total FY 2026 General Fund Expenditures	**$135,842**

Strategic Energy Investment Fund Expenditures – Fiscal 2027 and Future Years

SEIF expenditures increase by (1) $5.0 million in fiscal 2027, reflecting the authorized appropriation for the Green and Renewable Energy for Nonprofit Organizations Loan Fund and (2) a potentially significant amount in fiscal 2028 (as much as $5.0 million or more), reflecting the second authorized appropriation. This analysis assumes that the authorized appropriations are supported by SEIF transfers.

The Department of Legislative Services notes that the precise minimum amount the bill authorizes to be appropriated in the annual budget bill for fiscal 2028 (which is based on the balance in the fund on June 30, 2027) will not be known when the fiscal 2028 budget is developed and enacted (over the course of calendar 2026 and early calendar 2027).

While this bill does not expressly reallocate other, existing SEIF revenues/spending in order to support transfers made under the bill, the net impact of the bill on SEIF expenditures may be less than the amounts identified if MEA reduces other existing or planned SEIF spending in order to implement the bill.

Green and Renewable Energy for Nonprofit Organizations Loan Fund Revenues and Expenditures – Fiscal 2027 and Future Years

Special fund revenues to the Green and Renewable Energy for Nonprofit Organizations Loan Fund increase by $5.0 million in fiscal 2027 (reflecting receipt of funding transferred from SEIF), and by indeterminate amounts in future years (contingent on the amount of loan repayments and interest income received and the extent of the additional appropriation to the fund in fiscal 2028, which may be as much as $5.0 million or more). Special fund expenditures increase by $5.0 million in fiscal 2027 (assumes full use of the appropriated funding), and by indeterminate amounts in future years (in fiscal 2028, as much as $5.0 million or more), reflecting the personnel expenses of administering the program, awarding of loans under the program, and other ongoing program costs. These special fund revenues and expenditures are (1) assumed to be offsetting, having no net State fiscal effect, and (2) for purposes of clarity are not reflected in the Fiscal Summary further above.

General Fund Revenues – Fiscal 2027 and 2028

Although the bill indicates that interest and investment earnings of the new special fund remain in the fund, the bill does not amend Section 8 of Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) which requires, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions, including SEIF) accrue to the general fund from fiscal 2024 through 2028. Thus, general fund revenues increase relatively minimally from interest earnings of the new special fund in fiscal 2027 and 2028. The fund is exempted from a similar requirement under § 6-226(a)(2) of the State Finance and Procurement Article that applies from fiscal 2029 forward.

Small Business Effect: Small businesses that provide green and renewable energy design and construction services may benefit to the extent that nonprofits that receive loans procure their services to purchase and install qualifying energy systems.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 660 and SB 169 of 2024; HB 1248 and SB 186 of 2023; and SB 683 of 2022.

Designated Cross File: SB 105 (Senator Kagan) - Budget and Taxation.

Information Source(s): Maryland Energy Administration; Department of Legislative Services

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