

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 223

(Chair, Education, Energy, and the Environment
 Committee)(By Request - Departmental - Maryland
 Energy Administration)

Education, Energy, and the Environment

Environment and Transportation

**Maryland Energy Administration - Jane E. Lawton Conservation Loan Program
 and Fund and Maryland Strategic Energy Investment Fund**

This departmental bill transfers the Jane E. Lawton Conservation Loan Program (and fund) from the Maryland Energy Administration (MEA) to the Maryland Clean Energy Center (MCEC). Additionally, it alters MEA’s annual reporting requirements for the Strategic Energy Investment Fund (SEIF). **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The fiscal impacts of the bill (pertaining to the transfer of the Jane E. Lawton Conservation Fund to MCEC) are shown in the table below and shown and described in more detail in the Analysis section. Overall, the fiscal impacts result in a net effect of \$0.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	(\$0.9)	(-)	(-)	(-)	(-)
NonBud Rev.	\$12.3	-	-	-	-
SF Expenditure	\$9.0	(-)	(-)	(-)	(-)
NonBud Exp.	\$2.4	-	-	-	-
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$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: MEA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Transfer of the Jane E. Lawton Conservation Loan Program

The bill transfers the Jane E. Lawton Conservation Loan Program from MEA to MCEC, including the responsibility for managing, supervising, and administering the program, and administering the Jane E. Lawton Conservation Fund that supports the program. The fund must be held by MCEC (under current law, the State Treasurer holds the fund and the Comptroller accounts for the fund). Additionally, MCEC must invest and reinvest the money of the fund in the same manner as other State money held by MCEC may be invested.

Annual Report on the Strategic Energy Investment Fund

The bill modifies a requirement that MEA annually report on the uses and expenditures of SEIF from the prior fiscal year, to only require a detailed accounting of all amounts *in excess of \$10,000* received by and disbursed from the fund, including the amount and recipient of each grant awarded by MEA (current law requires a detailed accounting of *all amounts* received by and disbursed from SEIF). Additionally, the bill eliminates the requirement that the report identify any instances of multiple grants being awarded to the same person or same address.

The bill also modifies a requirement that the report include an estimate of electricity savings from the programs, projects, activities, and investments implemented under SEIF, so that it instead requires an estimate of greenhouse gas emissions reductions from the programs, projects, activities, and investments.

Current Law:

Jane E. Lawton Conservation Loan Program

The Jane E. Lawton Conservation Loan Program, managed, supervised, and administered by MEA, was established under Chapters 466 and 467 of 2008. The program's stated purpose 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.

Funding for the program is available through the Jane E. Lawton Conservation Fund, which is administered by MEA, but held by the State Treasurer and accounted for by the Comptroller. The State Treasurer is required to invest and reinvest the money of the fund in the same manner as other State money is invested.

The statutory provisions governing the program address, among other things, (1) MEA's duties in administering the program; (2) borrower requirements; and (3) allowable uses of loan funding.

“Local jurisdiction” means any county or municipality in the State. “Nonprofit organization” means a corporation, foundation, school, hospital, or other legal entity, no part of the net earnings of which inure to the benefit of any private shareholder or individual holding an interest in the entity. “Eligible business” means a commercial enterprise or business that is in good standing with the State Department of Assessments and Taxation and is either incorporated in the State or registered to do business in the State.

Maryland Clean Energy Center

MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with MEA, collect, analyze, and disseminate industry data; (5) provide outreach and technical support to further the clean energy industry; and (6) work as a green bank and in conjunction with local and private green banks. MCEC may make grants or provide equity investment financing to clean energy technology-based businesses and may borrow money and issue bonds consistent with its purpose.

Strategic Energy Investment Fund

In General

MEA administers SEIF, which, among other revenue sources, receives funds from the sale of carbon dioxide emissions allowances under the Regional Greenhouse Gas Initiative (RGGI) and alternative compliance payment revenues through the State's renewable energy portfolio standard. Additionally, SEIF will receive a portion of corporate income tax revenues from qualified data centers that are operational on or after January 1, 2026.

MEA is required to use SEIF for specified uses, including investing in the promotion, development, and implementation of (1) cost-effective energy efficiency and conservation programs, projects, or activities; (2) renewable and clean energy resources; (3) climate change programs directly related to reducing or mitigating the effects of climate change;

and (4) demand response programs that are designed to promote changes in electric usage by customers. SEIF must also be used to provide targeted programs, projects, activities, and investments to reduce electricity consumption by customers in low-income and moderate-income residential sectors, and to provide supplemental funds for low-income energy assistance administered by the Department of Human Services.

Annual Reporting Requirements

By January 1 of each year, MEA must report to the Governor, the Strategic Energy Investment Advisory Board, the General Assembly, the Senate Finance Committee, and the House Economic Matters Committee specified information relating to the uses and expenditures of SEIF from the prior fiscal year, including:

- a detailed accounting of all amounts received by and disbursed from SEIF, including the amount and recipient of each grant awarded by MEA, and identifying multiple grants awarded to the same person or the same address;
- all amounts used by MEA for administrative purposes;
- programs, projects, and activities included in specified statutory categories of expenditures of proceeds from the sale of allowances under RGGI (a significant revenue source of SEIF);
- the status of programs, projects, activities, and investments implemented with funds from SEIF;
- an estimate of electricity savings from the programs, projects, activities, and investments;
- the number of allowances sold in each RGGI auction, the average allowance price from each auction, and an estimate of revenue from future auctions;
- an accounting of all amounts received or disbursed by SEIF from all other sources;
- recommendations for changes to the allocation of funds under the statutory categories of expenditures of RGGI auction proceeds;
- the status of programs and expenditures in the current fiscal year; and
- possible or expected program initiatives and changes in later years.

Background:

Transfer of the Jane E. Lawton Conservation Loan Program

MEA indicates that MCEC is better suited to manage, supervise, and administer the Jane E. Lawton Conservation Loan Program, as it serves as the State's designated green bank and already operates several loan programs. By contrast, MEA is largely focused on distributing grants and rebates that help deploy energy efficiency efforts and renewable energy projects in order to reach the State's energy and environmental goals,

and the Jane E. Lawton Conservation Loan Program is currently its only loan program. MEA will benefit from operational efficiency resulting from the transfer of the program.

Annual Report on the Strategic Energy Investment Fund

MEA indicates that the bill reduces the operational burden associated with its annual reporting requirements for SEIF by, among other things, limiting detailed accounting of amounts received by and disbursed from SEIF to sums exceeding \$10,000. MEA notes that the appendices to the annual reports consistently exceed 150 pages and advises that this degree of detail detracts from the broader purpose and focus of the reports.

State Fiscal Effect: Currently, the revenues and expenditures of the Jane E. Lawton Conservation Fund are MEA special fund revenues and expenditures, as the fund is administered by MEA and held by the State Treasurer. Under the bill, however, the fund is to be administered and held by MCEC (a nonbudgeted entity). While MCEC is established in State law and receives State funding, its finances are managed independent of the State budget, with its annual budget instead approved by its board of directors. This analysis assumes that on the bill's effective date, July 1, 2026, the administration of the fund is transferred from MEA to MCEC and the fund balance, receivables (outstanding loan repayments), and ongoing expenditures and revenues are effectively moved from the State Treasury to MCEC.

The fiscal 2026 budget, and the fiscal 2027 budget as passed by the General Assembly, authorize \$5.0 million of expenditures under the Jane E. Lawton Conservation Loan Program in each fiscal year. However, MEA estimates actual expenditures of \$2.4 million in both fiscal 2026 and 2027, (based on projected loans made in fiscal 2026 and assuming similar loan expenditures in fiscal 2027. MEA also estimates revenues of \$712,600 in fiscal 2026 and \$947,700 in fiscal 2027. The closing balance of the fund at the end of fiscal 2026 is estimated to be \$11.4 million. **Exhibit 1** shows the estimated fiscal impact of the bill, specifically the transfer of the estimated balance in the fund on July 1, 2026, and the transfer of ongoing expenditures and revenues of the fund.

Exhibit 1 does not fully reflect additional assets of the fund in the form of the outstanding balance, on July 1, 2026, of loans made from the fund (that are owed to the fund through loan repayments), which presumably are assigned to MCEC (and contribute to the ongoing revenues of the fund).

Exhibit 1
Estimated Fiscal Impact of the Bill

	<u>Agency/Entity</u>	<u>Exp/Rev</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>
Balance	MEA	SF Exp	\$11,394,600	\$0	\$0	\$0	\$0
Transfer	MCEC	NB Rev	11,394,600	0	0	0	0
Ongoing Expenditures and Revenues	MEA	SF Exp	(2,350,400)	(-)	(-)	(-)	(-)
	MEA	SF Rev	(947,700)	(-)	(-)	(-)	(-)
	MCEC	NB Exp	2,350,400	-	-	-	-
	MCEC	NB Rev	947,700	-	-	-	-
<i>Subtotals</i>	<i>MEA</i>	<i>SF Exp</i>	<i>9,044,200</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>MEA</i>	<i>SF Rev</i>	<i>(947,700)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>MCEC</i>	<i>NB Exp</i>	<i>2,350,400</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>MCEC</i>	<i>NB Rev</i>	<i>12,342,300</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Net Effect			\$0	0	0	0	0

Exp: Expenditures
MCEC: Maryland Clean Energy Center
MEA: Maryland Energy Administration
NB: Nonbudgeted fund
Rev: Revenues
SF: Special fund
-: indeterminate increase
(-): indeterminate decrease

Source: Department of Legislative Services

As shown in Exhibit 1, the combination of the balance transfer and the transfer of the ongoing expenditures and revenues results, in fiscal 2027, in (1) a net special fund expenditure increase of \$9.0 million and a special fund revenue decrease of \$947,700 for MEA and (2) a nonbudgeted fund expenditure increase of \$2.4 million and a nonbudgeted revenue increase of \$12.3 million for MCEC. The combined net effect of those impacts, however, is \$0. In future years, beyond fiscal 2027, MEA special fund expenditures and revenues decrease by an indeterminate amount and MCEC nonbudgeted expenditures and revenues correspondingly increase by equivalent indeterminate amounts, reflecting the transfer of ongoing expenditures and revenues of the fund in those years, from MEA to MCEC.

MCEC anticipates that it can manage the Jane E. Lawton Conservation Loan Program using existing staff. To the extent that any workload resulting from the program cannot be

handled with existing resources, nonbudgeted expenditures for MCEC increase accordingly to hire additional staff.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 245 (Chair, Environment and Transportation Committee)(By Request - Departmental - Maryland Energy Administration) - Environment and Transportation.

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

Fiscal Note History: First Reader - February 2, 2026
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Revised - Amendment(s) - April 2, 2026
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Energy Administration - Jane E. Lawton Conservation Loan Program and Maryland Strategic Energy Investment Fund

BILL NUMBER: SB 223

PREPARED BY: Landon Fahrig

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The bill, though it alters which entity administers the Jane E. Lawton Conservation Loan Program, does not materially alter the program otherwise.