

## Maryland Energy Administration – Capital Budget Testimony

### **Executive Summary**

Under Governor O'Malley, the Maryland Energy Administration (MEA) has achieved significant progress toward Maryland's sustainability and work force goals over the past year. Through EmPOWER Maryland, over 150,000 Marylanders have taken advantage of the various MEA and utility programs to reduce their energy use. And Marylanders have purchased more than 5.5 million energy efficient light bulbs and other energy efficient equipment and appliances. These energy efficiency steps are helping Marylanders save more than \$60 million on their energy bills *each year*. Through the efforts of MEA and our fellow agencies to promote renewable energy, over 1,450 Maryland families installed solar, wind and geothermal systems on their homes and Maryland's first two commercial-scale wind farms came online. This has provided the ability of a new energy industry to take root in Maryland; helping bring jobs to the state and stimulating our economy.

Two important programs that support the Governor's energy goals are the revolving funds which MEA administers; the State Agency Loan Program (SALP) and the Jane E. Lawton Loan Program (JELLP). These two programs contribute to the EmPOWER Maryland goals by reducing the capital operating costs for state agencies and businesses through energy efficiency measures. These programs provide financing for energy efficiency projects that would not otherwise happen. They are unique programs that serve a customer base with specialized needs. SALP provides zero interest loans to State agencies for clean energy projects. The majority of funds are linked with Energy Performance Contracts (EPCs) developed by state agencies in coordination with the Department of General Services and MEA. Through JELLP, MEA supports energy conservation projects for nonprofits, local government agencies, and businesses through low-interest loans.

As highlighted by the DLS analysis, the loan programs experienced difficulty encumbering and expending ARRA funds last year as a result of the complexities of the federal compliance requirements (such as Davis-Bacon, historical preservation, NEPA and Buy American) that accompany ARRA funded programs. This caused not only delays in the establishment of loans, but resulted in potential loan customers to turn elsewhere for funding. The programs are gaining tracking and have the potential for some spectacular energy savings.

MEA has worked hard to coordinate with other agencies the necessary compliance efforts in the early stages of the loan application process. MEA has also very successfully streamlined the Lawton application process through standardized documentation and electronic library of sample documents and templates to share with potential clients.

### **MEA's Testimony- Responses to Jane E. Lawton Program Analysis and Performance Measures**

**DLS Analysis (Page 10):** Although the discrepancy appears to now be resolved, MEA should comment on the cause of the discrepancy between the information provided by MEA and the information provided by DBM regarding the amount of the SEIF transferred into the JELLP and the closing fund balance.

**MEA Response:** Through a combination of accounting errors and subsequent miscommunication between MEA and DBM, contradictory summary data was provided to DLS. One summary gave the appearance of a negative program balance out in FY2015 while the correct summary did not.

**DLS Analysis (Page 10): MEA should comment on why the cancelled encumbrance is not properly reflected on the fund summary.**

**MEA Response:** An ARRA Lawton loan was cancelled FY10 and re-issued in FY11 with SIEF funding due to the burdensome DOE requirements. The budget exhibit was reported in error.

**DLS Analysis (Page 11):** The Department of Legislative Services (DLS) recommends the fiscal 2012 allowance for the JELLP be reduced by \$500,000 to reflect MEA’s recent encumbrance history. If project requests in fiscal 2012 show additional funds are required, a deficiency appropriation could provide additional spending authority

**MEA Response:** Concur.

#### **MEA’s Testimony- Responses to State Agency Loan Program (SALP) Analysis**

**DLS Recommendation (Page 14):** Concur with the Governor’s allowance.

**MEA Response:** Concur