Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

Testimony for Fiscal Year 2019 Capital Budget Hearing

Good Afternoon; I am Greg Williams, Chief of Staff for the Maryland Energy Administration (MEA) and I appreciate the opportunity to address the agency's capital budget for Fiscal Year 2019. MEA's mission is to promote affordable, reliable and cleaner energy for the benefit of all Marylanders.

As discussed in the Department of Legislative Services' analysis, the MEA capital budget consists of two energy efficiency loan programs; one focusing on state buildings (the State Agency Loan Program – SALP) and one focusing on non-profits, local governments and businesses (the Jane E Lawton Loan Program – JELLP). The merger of these two programs is the subject of current legislation – SB026 *State Agency Loan Program and Jane E. Lawton Conservation Loan Program - Merger*.

The analysis asks that MEA comment on two items; the use of the federal fund balances currently in SALP and MEA's plans for assuring businesses of post-merger loan availability, subject to the passage of the enabling legislation.

Response to DLS Analysis

On page 5 of the DLS analysis, DLS requests MEA comment on when it plans on addressing the federal fund issue in the SALP so that the federal funds do not remain unused indefinitely.

MEA Response:

As of the end of fiscal 2017, there was $7.0 million in the SALP corpus; $4.1 million of accounts receivables (outstanding loan balances) and $2.9 million in cash balances.

As discussed in the analysis, MEA had planned to create a federal fund state building grant program by decapitalizing a large portion of SALP by swapping federal funds with funds from the Strategic Energy Investment Fund (SEIF). For affordability reasons, MEA cancelled this plan due to declining revenue from Regional Greenhouse Gas Initiative (RGGI) auctions. Subsequent use of those funds for a grant program would be dependent on either swapping out accounts receivables with another revenue source or transferring cash balances as they build to sufficient balances to support grant initiatives.

The cash balances at the end of fiscal year 2020 will be approximately $3.1 million and MEA is reviewing potential projects with state agencies experienced in managing projects under the compliance requirements associated with federal funds. Thereafter, without infusions from other fund sources, MEA estimates subsequent decapitalizations every three to four years until funds are exhausted.

One page 11 of the analysis, DLS requests MEA comment on plans for making assurances to businesses (will have a chance to apply for funding before that funding is used entirely by State agencies) while still maintaining the flexibility in funding for State agencies that the merger is intended to provide.

MEA Response:

Upon passage of SB26 which proposes merging SALP into JELLP, MEA would make assurances to businesses, non-profits and local governments that not all funding will be captured by state agencies before other borrowers have a chance to apply. While the exact methodology is yet to be determined, it would most likely follow that of the current Lawton program.

Under the current program, MEA reserves funding within the fiscal year budget specifically for nonprofit organizations. These reserved funds are held for a specified limited time after which they become available to local governments and private businesses in addition to the nonprofit organizations. MEA can devise a similar procedure within the merged program policy guidelines to provide those assurances.

Again, thank you for your time this afternoon; my colleagues and I are available to answer any questions.