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

Testimony for Fiscal Year 2019 Operating Budget Hearing

Good Afternoon; I am Mary Beth Tung, Director of the Maryland Energy Administration and I appreciate the opportunity to address the agency's operating budget for Fiscal Year 2019. MEA's mission is to promote affordable, reliable and cleaner energy for the benefit of all Marylanders.

The DLS analysis is a comprehensive and complete compilation of the energy issues facing MEA. Before responding to Ms. Zimmerman's analysis and addressing your questions, I want to comment on the importance of understanding the adjustments made to how future Regional Greenhouse Gas Initiative (RGGI) revenues are being projected for the budget.

In previous years, MEA would base its budgets on projected revenue for upcoming auctions. When auctions surpassed projections there would be a surplus of funds. However, in recent years RGGI auctions fluctuated dramatically and when auction revenue did not meet projections, MEA would be forced to dip into those surpluses.

This was not a sustainable way to manage the SEIF. As a result, MEA made changes to how it projects RGGI auction revenue. MEA now projects RGGI auction revenue at the auction floor price, the minimum price at which RGGI allowances can be sold at auction. Annual revenue above this level will then be programmed into the next budget cycle.

For example, if the net revenue from the next four auctions, numbers 39 through 42, exceed the budgeted level, the additional revenue can be programmed for FY2020. In the meantime, the resulting drop in projected revenue for FY2018 and FY2019 has required the agencies that use RGGI revenues to reduce associated programs.

Response to DLS Analysis

One page 26 of the DLS analysis, DLS requests MEA comment on how it is working with MCEC and MEI^2 and describe any joint efforts planned during fiscal 2018 or 2019.

MEA Response:
After passage of "Economic Development - Maryland Energy Innovation Institute" in the 2017 (HB410/SB313), MEA entered into a memorandum of understanding with the University of Maryland System, to coordinate payments from MEA's managed Strategic Energy Investment Fund to the University's Maryland Energy Innovation Fund (MEIF). The MEIF funds operations of both the Maryland Clean Energy Center (MCEC) and the Maryland Energy Innovation Institute (MEI^2). The 2017 legislation requires MEA to transfer $1.5 million per year from FY2018-FY2022. In that time, MCEC is to create and execute a plan to sustain operations once the dedicated funding ends.

The MEA Director is a member of the board for each organization and the boards are independent of one another. MEA's Director and appropriate staff attend board meetings of both organizations and participate in the independent oversight of operations of both the MCEC and the MEI[2].

MEA and MCEC had coordinated on potential legislation for the 2018 session that would have created a mechanism to aggregate the State's allocation of Qualified Energy Conservation Bonds (QECBs). MEA took the lead on this cooperative effort. MCEC would have been the main beneficiary of a successful aggregation of QECBs as it would have likely have been the issuer of the bonds. However, the federal Tax Cut and Jobs Act of 2017 eliminated many tax advantaged bonds including QECBs and made the legislation unnecessary.

MEA concurs with the two recommendations on page 4 of the analysis:

- adding a section in the budget bill requiring information on the Regional Greenhouse Gas Initiative revenue and allocation in the fiscal 2020 budget books; and
- adding a provision that requires funds received by State agencies as a result of any conditions of an approved merger between AltaGas Ltd. and WGL Holdings, Inc. be expended only as authorized in the State budget, other legislation, or budget amendment

Again, thank you for your time this afternoon; I and my staff are available to answer any further questions the committee may have.