Wes Moore, Governor
Aruna Miller, Lt. Governor
Paul G. Pinsky, Director

MARYLAND ENERGY ADMINISTRATION
Fiscal Year 2024 Operating Budget
Response to Department of Legislative Services Analysis

Testimony of Paul G. Pinsky
Director

House Appropriations Committee
Transportation and Environment Subcommittee
Chair: Delegate Marc Korman
February 23, 2023

Senate Budget and Taxation Committee
Public Safety, Transportation & Environment Subcommittee
Chair: Senator Sarah K. Elfreth
March 3, 2023

Thank you for the opportunity to present these comments on behalf of the Maryland Energy Administration (MEA)

MEA wishes to extend its gratitude to the DLS analyst, Samuel Quist, for his comprehensive review of the agency budget. MEA concurs with his recommendations.

It is important to set some context for your budget deliberations.

- Last year, the general assembly passed the Climate Solutions Now Act which calls for a 60% reduction of greenhouse gasses by 2031. A heavy lift indeed.
- Just last week it was announced that Antarctic Sea ice was measured at its lowest total since measurement began some fifty years ago; and finally,
- The passage of the federal Infrastructure and Investment Jobs Act (IIJA) and the Inflation Reduction Act (IRA) this past year should bring new investment dollars into Maryland for clean energy and Maryland to address climate change.

MEA points out these items because they frame our budget request and the urgency to increase our efforts.

Last year the agency distributed over $64 million in grants, loans, rebates and credits. Each action has to be reviewed and approved and finally, tracked as to its progress. It is incumbent that these funds are spent appropriately. However, this takes people power.

As our funds have increased both from Regional Greenhouse Gas Initiative (RGGI) proceeds and Alternative Compliance Payments (ACP), the opportunity to fund more projects has run up against our current limited capacity.

These two funds have grown significantly: the ACP because we are not meeting our solar RPS goals, necessitating the payment of the ACP. The RGGI fund has gone up because of the rise in power plant pollution auction prices.

With the additional funds in those two accounts in addition to expected federal funds from recent congressional actions, relying on the same number of staff does not allow MEA to perform the duty necessary to direct the money to the right purpose and ensure that each is a worthwhile investment of this revenue. That is why you will see additional staff positions included in the budget.

Additionally, MEA has been limited by statute as to how much we could spend on administrative costs, including staffing. Governor Moore, however, in his 2023 Clean Transportation and Energy Act (HB550) proposes to increase the amount of revenue MEA may expend on staff and administration.

To better ensure that grant applicants are being used in the most effective way, MEA is developing two new tools – or metrics – to more intentionally prioritize our efforts to both shift to clean energy and guarantee that disproportionately affected communities, that have been ignored or underserved in the past, receive a significant portion of the benefits of the state’s efforts and resources.

Specifically, we are developing a tool to allow us to analyze grant proposals under a lens that allows us to see that Maryland is getting the best “bang for its buck” in addressing climate change and reaching our mandated reduction goals. To make sure that projects are being compared equally, we will measure the greenhouse gas reductions per dollar for each project.

The second (and equally important) lens is to ensure that the benefits from any investment accrue in a significant way to communities that have been disproportionately affected by climate change (and associated ills, including health). This is sometimes referred to as Justice 40. Much of the focus will be on low and moderate income black and brown communities.

A large portion of RGGI funds goes to the Dept. of Human Services for energy assistance (reducing energy bills) and MD’s Dept of Housing and Community Development spends money for weatherization in many of these same communities. The Maryland Energy Administration spends a significant portion of its revenue for energy efficiency in low and moderate income communities.

But we think we can do better. We believe there are numbers of people not currently served by some or all these programs. That means that someone has to do better outreach and communication to those families that are currently outside of these programs. We believe that someone should be MEA.

Yes, there are current fund balances and yes, additional funds may be expected in the near term. We think that MEA is best suited to expend those funds with targeted investments that reduce greenhouse gasses and improve energy efficiency with a proper sized workforce. The agency also has the expertise and track record to best accomplish these tasks.

We have ambitious plans that are thoughtful and intentional and, in our opinion, fulfill the goals of the state.

MEA Comments Per DLS Analysis Request

DLS Analysis: MEA should comment on why these funds will not be used for the purpose for which the General Assembly restricted them.

MEA Comment: The Maryland Public Service Commission (MD-PSC) Order 88631 established a Maryland Gas Expansion Fund ("MGEF") to promote energy equity (and thus reduce energy poverty), grid resiliency, economic development, and job creation. Alternative uses of the funds are counter to the Commission's directed use.

MEA encumbered the $9.250 in FY23, the maximum available within the permitted uses under MEA's budget, via the Maryland Energy Infrastructure Program (MEIP) to focus on projects that reduce air pollutants, greenhouse gas emissions while fostering economic development and energy affordability.

DLS Analysis: MEA should comment on if it plans to continue allocating the higher revenue than budgeted through budget amendments, or if it plans to return to the method of retaining over attainment for future years.

MEA Comment: MEA's preference is to continue budgeting RGGI funds in the same manner, utilizing the average revenue from the previous eight quarters. Having sufficient budget resources early in the year is essential to designing and deploying programs and successfully encumbering funds by the end of a given fiscal year. There is limited risk in this approach, as should some funds not encumber due to unexpected headwinds, any surplus returns to the fund balance for future year appropriation. The scale of available funding in aggregate, as well as subprogram-by-subprogram, is an essential signal to prospective applicants of the likelihood of receiving awards and hence their interest in applying for a particular subprogram. However, MEA may still propose budget amendments to address high levels of program and other demands related to its mission, commensurate with adequate fund balance, or to appropriate federal funding received by the state.

Should RGGI or other fund attainment lessen, MEA would coordinate with DBM to update our approach.

DLS Analysis: MEA should comment on the status of applications made for funding by State and non-State entities in Maryland under both pieces of legislation and when funds allocated to the State are expected to be appropriated.

MEA Comment: As the state energy office, MEA will be the recipient of the following formulaic grant awards under the IIJA and the IRA:

State Energy Program - Bipartisan Infrastructure Law (BIL) ($7.1M) - MEA submitted an application in December 2022 and is awaiting feedback from DOE.

Home Efficiency Rebate and the High-Efficiency Electric Home Rebate Programs - MEA, as Maryland's state energy office, will be the formula recipient of a combined $136 million for these two direct to market rebate programs geared at Maryland residents, and entities serving Maryland residents. MEA anticipates that this could ultimately include approximately 50,000 rebate applications that will need to be processed. The Department of Energy has not issued a federal funding opportunity announcement for these programs, however they have signaled that state energy offices will have the opportunity to apply for funds within calendar year 2023. If funds are awarded by DOE, which is anticipated given the funds are being provided to the state on a formulaic basis, an appropriation will be required for MEA to access the funds and program development will need to occur.

The next step in the process is for MEA and other stakeholders to submit a response to DOE's Request for Information (RFI), where DOE is seeking feedback on the program design from various parties. Feedback Is due to the DOE on March 3, 2023 and MEA will be submitting a response to the RFI.

Energy Efficiency and Conservation Block Grant - MEA intends to apply for funding under this program and is currently reaching out to local governments. MEA anticipates submitting the required pre-application checklist by April 28, 2023, full applications are due no later than July 31, 2023.

Preventing Outages and Enhancing the Resilience of the Electric Grid 40101(D) - MEA will be submitting an application for this formulaic grant program. MEA held a 40101(D) public hearing on February 13, 2023, and MEA is accepting comments from the public on this funding opportunity until March 10, 2023. Applications are due on March 31, 2023.
Energy Efficiency Revolving Loan Fund Capitalization - MEA intends to submit an application by the deadline of April 21, 2023.

MEA does not have direct visibility into applications made by non-state entities, unless the entity has contacted MEA for a letter of support or partnership. MEA has posted information on how organizations can contact MEA about possible federal opportunities on a Federal Opportunities page posted on MEA's website. MEA has issued multiple letters of support for multiple efforts, including those in partnership with other state agencies, and continues to reach out to stakeholders as opportunities emerge. In the near future, MEA will be launching a consumer-focused page on its website to assist Maryland residents and other interested parties with staying up to date on developments under the Home Efficiency Rebate and the High-Efficiency Electric Home Rebate Programs.

MEA has provided letters of support for numerous applications for federal funding opportunities individually and in partnership with other agencies. Some highlights include:

U.S. DOE Renewables Advancing Community Energy Resilience - provided a letter of support and access to MEA experts in support of Groundswell's application under the program. Groundswell was successfully awarded over $900,000 to evaluate the need for resiliency hubs in the state of Maryland.
U.S. Department of Commerce Economic Development Administration - Good Jobs Challenge - Supported the Department of Labor in applying for funds to expand the offshore wind workforce, resulting in a $22 million.
U.S. Department of Transportation Port Infrastructure Development Program - Provided a letter of support to the Maryland Port Authority's application.
U.S. Department of Transportation RAISE grants - Facilitated a letter of support to a coalition involving the Maryland Clean Energy Center and BG&E for funds to expand electric vehicle charging, aimed at rideshare participants, in Baltimore.
U.S. Department of Energy Regional Hydrogen Hubs - Provided a letter of support to coalitions seeking funds from DOE's $8 million Hydrogen Hub application.

MEA must have a fully executed award from DOE before appropriation can be requested for a federal award. However, DOE controls the timeline by which federal awards are contractually obligated to funding recipients, and therefore the timeframes in which MEA can seek appropriation authority. The timelines for each DOE initiative vary by program.

MEA anticipates that it will be able to request appropriation authority for the SEP BIL program first, either at the end of fiscal year of 2023 or early in fiscal year 2024 depending on when DOE issues an award. All other programs will come later, with the request for appropriation for the Home Efficiency Rebate and the High-Efficiency Electric Home Rebate Electrification Programs anticipated to be made last sometime during mid-to-late fiscal year 2024 or later, as DOE has not released a funding announcement enabling states to apply for the funds.

DLS Analysis: MEA should provide information on the fiscal 2022 balances after taking into account encumbrances to reflect only the available balance.

MEA Comment:

SEIF Fund Balances at the close of FY22 (Encumbrances have been deducted)	
DHS EUSP	$134,769,175
EE L/M	$97,446
EE Other	$18,921,096
RE	$31,234,941
Admin	$27,458,143
Clearing / Off the Top	$5,373,082
ACP	$8,629,248
OSW	$3,425,844
Cove Point	0
Pepco MFN	$2,437,040
MGEF	$21,388,089
CEJA ACP	$77,369,283