Maryland Energy Administration

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MARYLAND ENERGY ADMINISTRATION
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis

Testimony of Paul G. Pinsky, Director

Senate Budget and Taxation Committee
Public Safety, Transportation & Environment Subcommittee
Chair: Senator Michael A. Jackson
February 20, 2025

House Appropriations Committee
Transportation and Environment Subcommittee
Chair: Delegate Courtney Watson
February 24, 2025

Thank you for the opportunity to present these comments on behalf of the Maryland Energy Administration (MEA). I wish to begin by extending my gratitude to our new Department of Legislative Services (DLS) analyst, Suveksha Bhujel, for her comprehensive review of the agency budget. Before addressing the specifics of her analysis, let me offer some context on our agency's work.

The mission of the Maryland Energy Administration is to promote clean, affordable, reliable energy and energy-related greenhouse gas emission reductions to benefit Marylanders in a just and equitable manner. We do this by advancing impactful energy policy and by administering a broad portfolio of financial and technical assistance to Maryland residents, businesses, schools and local governments.

The Climate Solutions Now Act of 2022 requires Maryland to reduce statewide greenhouse gas emissions 60% from 2006 levels by 2031 and achieve net-zero emissions by 2045. By promoting the transition away from fossil fuels toward cleaner energy solutions and funding energy efficiency projects across the State, MEA is working to reduce carbon pollution and help Marylanders save energy and money. I want to highlight a few examples of how MEA's budget is working for Marylanders.

In FY24 MEA provided over 7,000 rebates directly to Marylanders and over 200 grants to support projects that reduce energy consumption, improve affordability, and expand clean energy in our communities. We are seeing even greater demand for these funds in FY25. I want to highlight a few examples of MEA's financial assistance.

- The Solar Energy Equity program is helping lower-income Marylanders access clean energy by providing funds for the design and installation of solar photovoltaic energy-generating systems on the homes of Marylanders who experience low income. One example, in Frederick County, a $1.26 million grant is funding its Power Savers Retrofits program, which works directly with low- and moderate-income (LMI) households to cut energy usage and improve energy efficiency.

- The Energy Efficiency Equity Program directly addresses disparities in energy expenses for Maryland residents experiencing low and moderate income by funding energy efficiency and electrification installations in homes and community buildings. In addition to residential home upgrades, one amazing project MEA partnered in funding is the rehabilitation of a historic school into the William S Pittman Impact Center located in Fairmount Heights, Prince George's County Maryland. ($100k)

- The Public Facility Solar and Solar Canopy Grant programs have helped bring clean energy to Howard County by supporting solar on the East Columbia Library, the Scaggsville Public Safety Complex, and the East Columbia Library (canopy)

- The Medium and Heavy-Duty Zero-Emission Vehicle Grant Program aims to reduce emissions from a wide variety of on- and off-road vehicle types. Anne Arundel County, for example, has received $1.5 million to replace six, highly polluting diesel school buses with electric battery powered alternatives. The program is also funding an electric fire truck in Frederick County and four transit buses in Montgomery County.

- The Decarbonizing Public Schools Program helps school districts advance strategies for promoting clean and efficient energy use in K-12 schools and support facilities. In Wicomico County, Fruitland Elementary School will soon be installing a $2 million solar array that will enable the school to become net-zero energy.

- MEA's energy efficiency programs help businesses, non-profits and others defray energy costs through efficiency, often in concert with electrification. MEA provided Soupergirl, a producer of soups based in Lanham, with $253,000 to replace several electric kettles reducing energy consumption by an estimated 90%.

- MEA operates the Open Energy Innovation Grant program for project ideas that fall outside of the programs offered. For example, the Evergreen Heritage Center Foundation in Allegany County received more than $100,000 to install a solar photovoltaic (PV) system to educate students and the public about the use of alternative energy technology in rural settings.

MEA's FY26 Budget, as introduced by Governor Moore, represents a slight decrease over FY2025 funding levels. MEA's responses to the DLS questions are below.

MEA Responses to DLS Analysis and Questions

MEA should discuss why $26.6 million in grants were cancelled in FY24 (Page 9)

For many projects, an MEA grant is just one portion of a project's funding, and due to any number of circumstances, for example, an inability to secure permits or non-MEA funding, a grantee may forgo a project resulting in a canceled grant award. During FY24 year-end closing, MEA identified a number of older awards that needed to be canceled.

MEA should discuss how much of the $53.7 million transferred from the DPA in fiscal 2025 for grants has been awarded and when it plans to complete the award process. MEA should also discuss when it expects to request access to the remaining $36.3 million in the DPA (page 11)

The Electric School Bus Grant Program, the Community Electric Vehicle Supply Equipment (EVSE) Grant Program, and the Electrifying Community Buildings Program have launched for FY25 and are currently accepting applications. Awards will be made for all three programs by the end of May 2025. In addition to the advertised programs, MEA is working with the Department of Housing and Community Development (DHCD) to identify residential properties to deploy a portion of the funds for electrifying lower-income multi-family buildings and expanding access to EV charging.

MEA expects to access the $36.3 million remaining in the Dedicated Purpose Account (DPA) in FY26 and will begin advertising funding availability for the Electrifying Community Buildings Program and Community EVSE programs early in FY26.

MEA should comment on the cause of discrepancies and efforts that it will undertake to ensure consistent reporting of its budget. MEA should also comment on the programs that will be impacted by the unspecified reduction of $138.0 million related to ACP spending. The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MEA provide annual data on MEA's funding by programmatic activity and source. (Page 17)

The finance team has experienced some turnover in recent years; however, the Governor's Allowance includes a new accountant/financial clerk and a new budget analyst to bolster MEA's financial and fiscal reporting. MEA will work with the Department of Budget and Management (DBM) and DLS to rectify inconsistencies.

The $138 million reduction was entered to avoid a partial double-budgeting of funds alongside the $180 million of ACP that would have been transferred to the Dedicated Purpose Account. However, MEA is working with DBM to provide data for a technical fix in a supplemental budget to realign funds and appropriate them directly to the implementing agencies.

MEA should comment on how the additional $0.8 million appropriated from OWDF and $2 million of SEIF – Other in the fiscal 2026 allowance will be supported. (Page 22)

MEA anticipates some FY25 Offshore Wind Development Fund appropriation will be unused, maintaining the unencumbered fund balance at or near $2 million. MEA will carefully monitor program activities and, as necessary, curtail FY26 program allocations to align with the available fund balance.

MEA should provide information on the fiscal 2024 balances after taking into account encumbrances to reflect only the available balance. (Page 32)

The following are the balances for fiscal year 2024 taking into account encumbrances:

Energy Assistance:	$115.5
LMI Energy Efficiency and Conservation Programs:	$ 29.0
Energy Efficiency and Conservation Programs - Other:	$ 51.4
Renewable and Clean Energy Programs:	$ 74.3
Administration:	$ 82.6
Subtotal RGGI-sourced Subaccounts (Less Encumbrances)	$352.8

MEA should comment on the reasons for the accrual of such a large balance in the Administration subaccount. DLS recommends adding a provision to the BRFA to transfer $30 million of this balance to the General Fund. (Page 33)

Interest income historically accrued to the Administration subaccount. The Budget Reconciliation and Financing Act (BRFA) permanently redirects this revenue, an estimated $35 million for FY25, an estimated $30 million for FY26 and all future interest income, to the General Fund which will reduce this balance going forward. By statute, 10% of RGGI, up to $7.5 million and beginning on June 1, 2024, 10% of Solar ACP revenue accrues to this subaccount. Historically, the Administrative subaccount is utilized for both agency operations and to augment energy grant programs. MEA is working with DBM to correct the reporting of SEIF subaccount end-of-year fund balances on Appendix K in order to reflect proposed BRFA provisions and current statute.

MEA respectfully disagrees with the DLS recommendation to transfer additional funds out of the SEIF. This year's BRFA already proposes to authorize the transfer of $150 million in ACP funds as well as $65 million in interest to the General Fund. As noted above, all future interest will go to the General Fund. The budget also allocates $12.6 million combined in FY 2025 and FY 2026 to the Maryland Department of the Environment (MDE) replacing general fund appropriations.

MEA should comment on the status of the applications for the Home Energy Performance Based, Whole House Rebate Program, and the High-Efficiency Electric Home Rebate Program. (Page 35)

In July 2024, MEA received approval from the US Department of Energy (DOE) for early administrative funds under both the Home Energy Performance-Based Whole House Rebate Program (Section 50121) and the High-Efficiency Electric Home Rebate Program (Section 50122). These early administrative funds, totaling $721,176 per program, allowed MEA to hire a Program Manager for each of the two rebate programs, to help develop the full applications and associated implementation plans.

The High-Efficiency Electric Home Rebate Program (Section 50122) full application was submitted to DOE on October 31, 2024 and received conditional approval on January 14, 2025. The Home Energy Performance-Based Whole House Rebate Program (Section 50121) application was submitted to DOE on December 18, 2024, and received conditional approval on January 15, 2025.

As of February 14, 2025, MEA is awaiting additional guidance from DOE, after the new Federal Administration paused disbursements of Federal funds from the Bipartisan Infrastructure Law and the Inflation Reduction Act. The status of these funds, totaling over $163 million, remains unclear at this time.