

**Committee: House Ways and Means (jointly assigned with Appropriations**

**Testimony on: HB 459 (“Fee, Surcharge, and Tax Reduction Act 2016”)**

**Position: Unfavorable**

**Hearing Date: March 7, 2016**

We, the undersigned, respectfully request an Unfavorable report from the Budget and Taxation Committee on HB 459. Our particular concern is in regard to the proposed movement of funds from the Strategic Energy Investment Fund (SEIF) to fund the Power Plant Research Program (PPRP) under the Environmental Trust Fund.

If passed, HB 459 would annually divert millions of dollars from the SEIF to fund the administration and management of the PPRP, which is responsible for reviewing issues related to power generation in Maryland including proposed and existing infrastructure and long-range plans to meet electricity demand. The SEIF is primarily supported by carbon allowances auctioned as a part of the Regional Greenhouse Gas Initiative (RGGI). RGGI is one of the state’s most successful programs to address climate disruption and, through the SEIF, reinvests proceeds back into Maryland communities through low-income bill assistance, low-income energy efficiency and weatherization, and clean energy and efficiency grants and programs.

While the bill would provide very slight savings to ratepayers overall – just \$0.15 per month – it would remove approximately \$6 million per year from low-income assistance programs, \$2 million from renewable energy programs, and \$1 million from general energy efficiency programs. **The \$0.15 fee reduction and resulting cuts from the low-income ratepayer assistance would have the effect of increasing annual fees for many low-income Maryland households between \$43 and \$223.**

Table 1 – SEIF Allocation Formula

<b>Program</b>	<b>Percent of Total</b>
Low Income Ratepayer Assistance	50%
Energy Efficiency Grants*	20%
Renewable Energy Programs	20%
Program Administration**	10%

\*50% of these funds must be used for low-to-moderate-income energy efficiency and weatherization assistance

\*\*These funds cannot exceed \$5 million annually

**Negative Impact on Low-Income Households**

The low-income ratepayer assistance funds are administered through the Office of Home Energy Program’s (OHEP) Electric Universal Service Program (EUSP), while the low-to-moderate income energy efficiency grants are administered by the Maryland Energy Administration (MEA). The EUSP has two primary functions—bill assistance and arrearage retirement. The EUSP Annual Report cited 115,664 households participating in the EUSP program in 2014. **If the \$5 million being diverted away from EUSP were used for bill assistance for each participating low-income household, the benefit would be \$3.60 per month, or \$43 per year.**

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Meanwhile, in FY 2014, there were 22,384 arrearage applicants served, and the average annual arrearage retirement assistance grant was \$944. **Based on the most recent number of applicants, a \$5 million diversion away from EUSP for arrearage retirement would reduce the average assistance grant by \$223 annually per household. That is a 24% drop in the assistance necessary to prevent utility shutoffs.**

MEA administers the Clean Energy Communities Low-to-Moderate Income Grant Program using RGGI/SEIF revenue. In FY 2015, the average annual grant per household was \$7,300. **Based on the average grant size, a \$1 million diversion away from MEA for energy efficiency and weatherization services would result in 137 fewer low-and-moderate income homes able to receive efficiency upgrades for long-term bill savings.**

### Conclusion

RGGI/SEIF funds should remain focused on the implementation and deployment of programs that mitigate climate-disrupting pollution, with a particular focus on benefitting low-income communities. These funds should not be moved to manage and administer a state program that does not directly reduce greenhouse gas emissions (GHG) and currently has a revenue source. HB 459 unnecessarily diverts funds from GHG-reducing programs, to the potential detriment of low-income households. Low-income residents could face significant reductions in energy assistance services if \$10 million is diverted annually from SEIF to pay for eliminating the environmental surcharge. The harms resulting from that loss of services need to be weighed against the benefits of saving all ratepayers 15¢ per month on their electric bills.

**Please provide an Unfavorable report on HB 459.**

Respectfully,

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