



# MCCC Mitigation Work Group Meeting

7.17.2024

# State Green Bank Authorization

## § 10–806. Maryland Clean Energy Center (MCEC) Established.

(a) There is a Maryland Clean Energy Center.

(b) The Center is a body politic and corporate and is an instrumentality of the State.

(c) The exercise by the Center of the powers conferred by this subtitle is the performance of an essential governmental function.

(d) The purposes of the Center are to:

(1) promote economic development and jobs in the clean and advanced energy industry sector in the State;

(2) promote the deployment of clean and advanced energy technology in the State;

(3) serve as an incubator for the development of clean and advanced energy industry in the State;

(4) in collaboration with the Administration, collect, analyze, and disseminate industry data; and

(5) provide outreach and technical support to further the clean and advanced energy industry in the State.

# MCEC Statute Enables Bond Issuance at Tax Exempt and Taxable Rates

## § 10–822. Powers – Borrowing Money and Issuing Bonds.

### The Center may:

- (1) borrow money and issue bonds to finance any part of the cost of a project or for any other corporate purpose of the Center;
- (2) secure the payment of any portion of the borrowing by pledge of or mortgage or deed of trust on property or revenues of the Center;
- (3) combine projects for financing, make agreements with or for the benefit of the bondholders or with others in connection with the issuance or future issuance of bonds, as the Center considers advisable; and
- (4) otherwise provide for the security of bonds and the rights of bondholders.

# Negated Impact on State Debt Capacity

## § 10–843. Bond – Liability; Pledge of Faith and Credit.

### (a) A bond:

(1) is not:

(i) a debt or liability of the State or a political subdivision of the State; or

(ii) a pledge of the faith and credit of the State or a political subdivision of the State; and

(2) is payable solely from money available in accordance with this subtitle.

### (b) Each bond shall state on its face that:

(1) the State and its political subdivisions are not obliged to pay the bond or the interest on the bond except from revenues of the project or the portion of the project for which the bond is issued; and

(2) the faith, credit, and taxing power of the State and its political subdivisions are not pledged to pay the principal of or the interest on the bond.

### (c) The issuance of bonds does not directly, indirectly, or contingently obligate the State or its political subdivisions:

(1) to levy or pledge a tax to pay the bonds; or

(2) to make an appropriation to pay the bonds.

### (d) This section does not prevent the Center from pledging its full faith and credit to pay bonds.



**Created in Climate Solutions Now Act of 2022  
to increase private capital investment in technology  
deployment and development intended to reduce greenhouse  
gas emissions and mitigate the impact of climate change.**

## **Mandates Allocation of \$15M over three years in the Governor's Budget**

### **Eligible measures include:**

- Facilitate the electrification of the transportation sector and the use of sustainable alternative fuels in aviation
- Enable improvements in energy management and efficiency to reduce GHG emissions from buildings
- Expand the deployment of clean energy generation and energy storage capacity
- Target the implementation of energy weatherization measures for low-to-moderate-income households
- Optimize the economic, health, social, and environmental value of community-scale infrastructure for resilience and energy equity
- Allow the deployment of advanced clean energy technology
- **Provide for the creation of a Maryland Green Bond Program**

# Additional Considerations

- 40% of the funds must be used to assist low-income households and communities in the state to access decarbonization solutions and strategies\*
- Not more than 5% of the fund balance may be used for administrative purposes
- The fund may not be used for a project to install new equipment that uses fossil fuels or improve the efficiency of existing equipment that uses fossil fuels
- Managed by Investment Oversight Committee appointed by MCEC Board of Directors

*\*Unless enough applications are not received to meet the quota.*



# Fund May Consist of the Following:

- Money appropriated in the state budget
- Private contributions
- Federal Grants and programs
- Proceeds from the sale, disposition, lease, or rental of collateral related to financing made available from the fund
- Repayment of financing made from the fund
- Returns from or recovery of any financing made from the fund
- Proceeds from the sale of any financing made, or assets acquired with proceeds from the fund
- Interest earnings on the money in the fund
- Any other money from any other source accepted to benefit the fund

# Budget

- \$5M FY24 in hand; interest earned to date
- FY 2025 \$5M
- FY 2026 \$5M
- Currently allows up to 5% (\$250K) per year for Administration
- Private and public sources may commit additional funding for targeted investment



# Model: \$1B Tax Exempt Bond 20 YR Term

Issuance of 20-Year Tax-exempt Bond at 5%																						
\$250,000,000	Annual Revenue from Fee/Taxes																					
\$1,000,000,000	Issuance Amount																					
20	Term (in Years)																					
2.0%	Issuance Costs (capped)																					
0.125%	Annual Administrative Costs																					
5.0%	Interest Rate																					
		Year																				
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Issuance	\$1,000,000,000																					
Issuance Costs	(20,000,000)																					
Annual Administrative Costs		(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Debt Service Payment		(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)	(80,242,587)
Net	\$980,000,000	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)	(\$81,492,587)
Annual Revenue from Fee/Taxes		\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000
Excess of Annual Tax Revenue Over Debt Service		\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413	\$168,507,413

- Assumes estimate interest of 5% based on current market rates
- Assumes \$250M in Annual Revenue from fees/taxes
- Simple amortization of debt service payment

# Model: \$1B Taxable Bond 20 YR Term

Issuance of 20-Year Taxable Bond at 5%																						
\$250,000,000	Annual Revenue from Fees/Taxes																					
\$1,000,000,000	Issuance Amount																					
20	Term (in Years)																					
2.0%	Issuance Costs (capped)																					
0.125%	Annual Administrative Costs																					
8.0%	Interest Rate																					
4.0%	Interest Income Rate																					
		Year																				
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Issuance	\$1,000,000,000																					
Issuance Costs	(20,000,000)																					
Annual Administrative Costs		(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Debt Service Payment		(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)	(101,852,209)
	\$980,000,000	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)	(\$103,102,209)
Annual Revenue from Fees/Taxes		\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000
Excess of Annual Fee/Tax Revenue Over Debt Service		\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791	\$146,897,791
Interest Income on 50% of Bond Balance		\$19,562,956	\$19,090,948	\$18,581,180	\$18,030,630	\$17,436,036	\$16,793,875	\$16,100,341	\$15,351,324	\$14,542,386	\$13,668,732	\$12,725,187	\$11,706,157	\$10,605,606	\$9,417,010	\$8,133,327	\$6,746,949	\$5,249,660	\$3,632,589	\$1,886,152	\$0	\$0
Total		\$166,460,747	\$165,988,739	\$165,478,971	\$164,928,421	\$164,333,827	\$163,691,666	\$162,998,132	\$162,249,115	\$161,440,177	\$160,566,523	\$159,622,978	\$158,603,949	\$157,503,397	\$156,314,801	\$155,031,118	\$153,644,740	\$152,147,452	\$150,530,380	\$148,783,943	\$146,897,791	\$146,897,791

- Assumes estimate interest of 8% based on current market rates
- Assumes \$250M in Annual Revenue from fees/taxes
- Simple amortization of debt service payment
- Assumes interest income on unspent balance of bond proceeds for duration of note