



Memorandum

October 1, 2025

To: Board of Trustees

From: Greg Leclair, Director of Finance and Administration
Peter Eglinton, Deputy Director

Re: Proposed Adjustments to the FY2026 Budget

Proposed Motion

Move to adjust the FY2026 budget to shift \$3,613,000 of Maine Jobs and Recovery Plan (MJRP)/American Rescue Plan Act (ARPA) funds from the Commercial and Industrial (C&I) Custom Program and C&I Prescriptive Initiatives Program to Income-Eligible Home Programs, as described below; and to shift \$1.2 million of Forward Capacity Market (FCM) funds from the Home Energy Savings Program (HESP) and Income-Eligible Home Programs to the Electric Vehicle Rebates Program, as described below. The total FY2026 source of funding (revenue) and expenditure budgets remain unchanged at \$261,484,723 and \$259,708,565, respectively.

Background and Recommendations

Shift of MJRP/ARPA Funding

On July 23, 2025, the Board authorized the Executive Director to amend the Trust's MJRP Subaward agreements with the Department of Administrative and Financial Services (DAFS) to reflect the transfer of up to \$3.8 million from the non-residential initiatives (business cases R.59.2, R.59.3 and R.59.4) to the residential initiative (R.59.1). Below is an excerpt from the memorandum supporting the motion:

All of the Trust's initiatives have made significant progress in committing and expending their MJRP budgets. However, Staff has observed over the past two to three years that some non-residential projects experience relatively long sales and construction cycles. These projects regularly require more than 12 months to complete after receiving necessary approvals, and in some instances take more than 18 months to be commissioned.

MJRP funds must be expended by December 31, 2026. To mitigate the risk of committing funds over the coming 12 months to projects that could, hypothetically, experience delays and cause it to miss the December 2026 deadline, the Trust proposes reallocating uncommitted funding from the non-residential initiatives ... to the residential LMI initiative...

The LMI initiative has been running full tilt and has relatively short project timelines. The impact of the funds is lowering energy bills for low-and moderate-income households and helping meet the goals of the State's climate action plan. Staff forecasts that shifting the funds, as proposed above, would fully expend the funds by June 2026.

Staff has discussed this plan with the Governor's Energy Office and the Governor's Office of Policy Innovation and the Future, and they have indicated no objection. DAFS has confirmed that the State is agreeable to the shift and stands ready to work with the Trust to amend the relevant subaward agreements and other associated documentation.

The amended subaward agreements with DAFS have been executed and are effective as of September 11, 2025. Accordingly, Staff proposes to amend the expenditure budgets to reflect the following changes:

MJRP Business Case	Applicable Program	Current MJRP Budget*	Change	New MJRP Budget*
R.59.1 Low- and Moderate-Income (LMI) Weatherization Initiative	Income-Eligible Home Programs	\$25,000,000	\$3,613,000	\$28,613,000
R.59.2 Hospitality Retrofit Initiative	C&I Prescriptive Initiatives	\$4,000,000	(\$780,000)	\$3,220,000
R.59.3 Energy Efficiency Initiative for Local Government, Public Schools, and Congregate Housing		\$15,000,000	(\$1,819,000)	\$13,181,000
R.59.4 Energy Efficiency Initiative for Manufacturers	C&I Custom Program	\$6,000,000	(\$1,014,000)	\$4,986,000
TOTAL		\$50,000,000	\$0	\$50,000,000

*Three percent of each business case budget is handled under Administration and not under a program.

The net adjustments to the expenditure budgets by program are as follows:

- Income-Eligible Home Programs – \$3,613,000
 - Performance Metrics Impact: Approximately 592 income-eligible weatherization and low-income supplemental heat pump projects.
- C&I Prescriptive Initiatives – (\$2,599,000)
 - Performance Metrics Impact: Approximately 46 fewer HVAC projects; however, none of these potential projects would be achievable within the timeframe remaining for completion under MJRP.
- C&I Custom – (\$1,014,000)
 - Performance Metrics Impact: Approximately 4 fewer manufacturing projects; however, none of these potential projects would be achievable within the timeframe remaining for completion under MJRP.

Shift of FCM from Residential Programs to EV Rebates

Last spring, the Maine Legislature passed and the Governor signed LD 585 (Public Law Ch. 45), *An Act to Use Certain Regional Transmission Organization Payments for Beneficial Electrification to Reduce Electricity Rates*, which authorizes the Trust to use revenues from the Forward Capacity Market for promotion of heat pumps and EVs. The law became effective on September 24, 2025.

As stated in the bill summary, LD 585 “eliminates the limited time period that previously applied to the directive to assign forward capacity market payments exclusively for heat pumps and adds electric vehicles as an additional eligible use of the forward capacity market funds, while leaving in place the authorization for these funds to be used for heat pumps as well.”

The FY2025 expenditure budget currently allocates all of the program-related FCM funding (\$4,967,536) to HESP (\$4,004,536) and Income-Eligible Home Programs (\$963,000) to support heat pump rebates. Staff proposes to shift \$1,200,000 of these funds to support the EV Rebates program. Specifically, this allocation would allow for the following:

1. Maintain low-income rebates at current levels after New England Clean Energy Connect (NECEC) funds are expended. NECEC funding allows us to supplement the standard rebates of \$2,000 for new vehicles and \$1,500 for used vehicles to provide \$7,500 for new vehicles and \$3,500 for used vehicles. Staff forecasts that NECEC funds will be fully expended this year. Staff estimates that FCM funds would allow us to continue the rebate structure and achieve up to 50 additional low-income purchases of EVs.

2. Increase rebates for moderate-income Mainers. The standard rebates for moderate-income Mainers are \$2,000 for new vehicles and \$1,500 for used vehicles. FCM funds would allow us to increase these amounts to motivate purchases, helping to partially offset the end of federal tax credits. If rebates were increased to \$3,500 for new vehicles and \$2,000 for used vehicles, Staff estimates that FCM funds would allow us to achieve up to 30 additional moderate-income purchases of EVs.
3. Increase commercial rebates. The standard rebate for commercial entities is \$2,000 for new vehicles and \$1,500 for used vehicles. FCM funds could be used to increase the standard rebate as well as offer time-limited promotions for select types of vehicles and achieve up to 34 additional commercial EV purchases.
4. Increase rebates further for low- and moderate-income Mainers, to help motivate purchases and offset more of the lost federal tax credit. Depending on the rebate amounts, Staff estimate that this use of FCM funds could motivate up to 50 additional EV purchases.

The net adjustments to the expenditure budgets by program are as follows:

- HESP: (\$967,370)
 - Performance Metrics Impact: 439 fewer any-income whole-home heat pump projects. Staff proposes to amend the budget at a later date to incorporate Regional Greenhouse Gas Initiative (RGGI) funds to compensate for the shift of FCM funds to EV Rebates.
- Income-Eligible Home Programs: (\$232,630)
 - Performance Metrics Impact: 64 fewer low-income supplemental heat pump projects. Staff proposes to amend the budget at a later date to incorporate RGGI funds to compensate for the shift of FCM funds to EV Rebates.
- EV Rebates: \$1,200,000
 - Performance Metrics Impact: 164 additional EVs

See the tables below for details on the budget adjustments:

Proposed Amendment to the FY2026 Revenue/Source of Funding

Funding Source	2036		3030		3031		3032		3033	
	FCM Fund	ARPA Low Income Weatherization Fund	ARPA Tourism & Hospitality Fund	Local Government & Schools Fund	ARPA Manufacturing Fund	Total				
						ARPA	ARPA	ARPA	ARPA	
RGGI Proceeds	-	-	-	-	-	-	-	-	-	-
State of Maine Revenues	-	-	-	-	-	-	-	-	-	-
Federal Revenues - ARPA	-	3,613,000	(780,000)	(1,819,000)	(1,014,000)	-	-	-	-	-
Total - Funding Source	\$	-	\$ 3,613,000	\$ (780,000)	\$ (1,819,000)	\$ (1,014,000)	\$	\$	\$	\$

Proposed Amendment to the FY2026 Expenditure Budget

Program Budgets	2036		3030		3031		3032		3033	
	FCM Fund	ARPA Low Income Weatherization Fund	ARPA Tourism & Hospitality Fund	Local Government & Schools Fund	ARPA Manufacturing Fund	Total				
						ARPA	ARPA	ARPA	ARPA	
Low Income Initiatives	(232,630)	3,613,000	-	-	-	-	-	-	-	3,380,370
Home Energy Savings Program	(967,370)	-	-	-	-	-	-	-	-	(967,370)
C&I Prescriptive Program	-	-	(780,000)	(1,819,000)	-	-	-	-	-	(2,599,000)
C&I Custom Program	-	-	-	-	-	-	-	-	(1,014,000)	(1,014,000)
Electric Vehicle Rebates	1,200,000	-	-	-	-	-	-	-	-	1,200,000
Total- Program Budgets	\$	-	\$ 3,613,000	\$ (780,000)	\$ (1,819,000)	\$ (1,014,000)	\$	\$	\$	\$