

Department of Legislative Services  
 Maryland General Assembly  
 2019 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 504 (Delegate Charkoudian, *et al.*)  
 Appropriations

**Purchase of Motor Vehicles and Building Construction, Renovation, Rehabilitation, and Modification - Social Cost of Carbon Emissions**

This bill requires, by July 1, 2020, that standards for the purchase of motor vehicles for the State and estimates of the return on investment for energy efficient and clean energy options for new and renovated State and public school buildings include the social cost of carbon emissions in their calculations. The social cost of carbon emissions must be calculated by the University of Maryland Center for Environmental Science (UMCES) according to specified guidelines. **The bill takes effect June 1, 2019.**

**Fiscal Summary**

**State Effect:** No effect in FY 2019. General fund expenditures increase by \$108,000 in FY 2020 and \$117,000 in FY 2024. No effect on total State funding for capital projects (including school construction), as discussed below; however, fewer projects may receive funding. A reliable estimate of the bill’s effects on building operating costs is not feasible. The bill’s effects on motor vehicle purchases has not been factored into this analysis. No effect on revenues.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	108,000	0	0	0	117,000
Net Effect	(\$108,000)	\$0	\$0	\$0	(\$117,000)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill increases design costs for individual school construction projects. Assuming local capital budgets do not increase as a result, local governments can fund fewer capital construction projects, including public school construction. A reliable estimate of the bill’s effects on public school building operating costs is not feasible. No effect on local revenues.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** In cooperation with the Maryland Energy Administration, the Department of General Services (DGS) must calculate the social cost of carbon emissions during the preliminary design phase of the construction or renovation of any building. DGS must also provide a projection of the social cost of carbon emissions for each construction appropriation, including for public school construction projects.

By January 1, 2020, UMCES must conduct an initial calculation of the social cost of carbon emissions in accordance with specified federal analyses. It must then review and modify that calculation, as necessary, every five years thereafter. Also by January 1, 2020, and every five years thereafter, UMCES must submit a report to specified entities that determines whether the federal analyses are appropriate to use in the State and, if not, what modifications should and will be made.

DGS and the Department of Budget and Management (DBM) must adopt regulations to carry out the bill's requirements by January 1, 2020.

**Current Law:** The Secretary of Budget and Management must develop and submit to the Board of Public Works standards for the purchase and leasing of vehicles for State use by DGS and other Executive Branch agencies. The standards must, as far as practicable and feasible, be based on the lowest possible life-cycle cost.

It is the policy of the State that any building financed or constructed by the State or with State assistance must be designed and constructed to minimize the cost to the State and achieve the most efficient use of energy resources in the operation and maintenance of the building. Toward that end, DGS, in cooperation with the Maryland Energy Administration, must project the life-cycle costs and perform an energy consumption analysis during the preliminary phase of construction or renovation of any building, including for public school construction projects.

**Background:** In 2015, the U.S. Environmental Protection Agency (EPA) issued final regulations governing carbon dioxide emissions from coal and natural gas power plants. The regulations included a methodology for calculating the social cost of carbon emissions, as did a subsequent analysis by the federal Interagency Working Group on Social Cost of Greenhouse Gases. The EPA regulations were subject to multiple legal challenges, and EPA announced its intention in 2018 to repeal the regulations.

**State Expenditures:** UMCES estimates the cost of conducting the initial calculation of the social cost of carbon emissions to be \$108,000 in fiscal 2020, with the first follow-up analysis costing \$117,000 in fiscal 2024 (for completion by January 1, 2025). Therefore, general fund expenditures increase by those amounts.

DGS advises that it currently outsources all of its life-cycle and energy consumption analyses for construction projects; DGS anticipates that it will outsource all social cost of carbon emissions analyses as well. As the analyses are conducted during the design phase of a project, they add approximately 1% to the design costs of every project, including school construction projects. As project design costs are typically covered by capital funds, the bill has no direct effect on capital budget expenditures, which are determined annually by the Governor and General Assembly through the capital budget process. To the extent that the bill increases the design costs of all State and public school construction projects, fewer capital construction projects receive funding each year.

DBM did not provide an estimate of the bill's effect on the cost of vehicle purchases for the State.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** University System of Maryland; Department of General Services; Board of Public Works; U.S. Environmental Protection Agency; American Public Power Association; Maryland Energy Administration; Department of Legislative Services

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