

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1417 (Delegate Adams, *et al.*)
 Economic Matters

Department of General Services - Clean Energy Procurement Program -
 Establishment

This bill requires the Department of General Services (DGS) – if biogas is competitively priced, readily available, and of satisfactory quality for the intended purpose – to establish, by January 1, 2026, a Clean Energy Procurement Program to procure biogas for use as a fuel in the State’s transportation and building sectors to evaluate the environmental and economic benefits and costs of replacing fossil fuel natural gas with biogas. The bill requires related data collection and analysis. The program terminates December 31, 2028. **The bill terminates June 30, 2029.**

Fiscal Summary

State Effect: General fund expenditures increase by \$73,700 in FY 2026; out-years reflect annualization, inflation, and termination of the bill. General/special fund expenditures increase by at least \$200,000 in FY 2026 only. State expenditures (all funds) increase through FY 2029. No effect on revenues.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	73,700	84,500	88,200	92,100	0
GF/SF Exp.	200,000	0	0	0	0
Exp. (All Funds)	-	-	-	-	0
Net Effect	(-)	(-)	(-)	(-)	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: DGS must establish the program in consultation with the Maryland Green Purchasing Committee (MGPC), the University System of Maryland (USM), and the Maryland Clean Energy Center (MCEC) to procure biogas for use as a fuel in the State's transportation and building sectors to evaluate the environmental and economic benefits and costs of replacing fossil natural gas with biogas, on a short-term and long-term basis, in furtherance of the State's net-zero statewide greenhouse gas (GHG) emissions reduction goals.

Under the program, DGS, in consultation with MGPC, USM, and MCEC, must issue a competitive sealed procurement solicitation for biogas and may enter into at least one contract to procure biogas.

When issuing the invitation for bids, DGS must take into consideration (1) the cost-effectiveness of the adoption of biogas; (2) the social cost of GHGs, as defined in current law; and (3) the State's climate commitments under existing provisions of the Environment Article. Unless sufficient biogas generated in the State is not reasonably available for the program, biogas procured through a contract under the program must be generated in the State.

DGS must (1) collect data on the average consumption of natural gas in the State and provide the data to USM to determine whether biogas may support the State's climate commitments and (2) analyze the environmental and economic costs and benefits of expanding the use of biogas in the transportation and building sectors in the State.

USM must complete a carbon lifecycle analysis of biogas and provide the results to DGS and MGPC. The Power Plant Research Program (PPRP) must reimburse USM for costs incurred to complete the carbon lifecycle analysis.

The bill's requirements apply only if:

- biogas is competitively priced;
- the quality of the biogas is satisfactory for the intended purpose; and
- biogas is readily available.

Current Law: "Social cost of greenhouse gases" means the most recent social cost of GHGs adopted by the U.S. Environmental Protection Agency.

Greenhouse Gas Emissions Reduction Targets and the Climate Solutions Now Act of 2022

The Climate Solutions Now Act (Chapter 38 of 2022) made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act, requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

In December 2023, the Maryland Department of the Environment published [Maryland's Climate Pollution Reduction Plan](#), which was developed to implement Chapter 38.

Governor's Executive Order

Executive Order 01.01.2023.07, issued May 2023, requires DGS and other State agencies to take a number of steps to reduce electricity consumption in State buildings and reduce GHG emissions, including:

- the Maryland Green Building Council must update the High-Performance Green Building Program to ensure that all new buildings and major renovations align with the State's goal to achieve net-zero GHG emissions by 2045;
- DGS must identify potential candidates for energy savings performance contracts at State-owned facilities, and agencies must provide on-site support to DGS;
- annually, DGS must analyze all State-owned buildings to identify the buildings with the highest energy use per square foot and the greatest GHG emissions;
- annually, DGS must conduct an energy and GHG emissions audit of at least two million square feet of State-owned buildings;
- the audits must include best practices and identify low-cost measures for increasing energy efficiency and reducing GHG emissions;
- State agencies that receive energy audits must implement the identified measures to the fullest extent practicable;
- for one year following implementation, DGS must monitor each agency's energy use and GHG emissions, track changes resulting from the measures, and calculate any energy cost savings;
- reductions in energy consumption and GHG emissions resulting from energy-saving initiatives must be recorded in a Comprehensive Utility Records Management Database;
- each unit of State government must, each month or by request, provide DGS with access to available data about its facility and copies of the unit's utility bills;

- DGS must gather the data and information necessary to fully populate, update, and maintain the database;
- all units of State government must, in support of their core missions, implement projects and initiatives to conserve energy and reduce their GHG emissions; and
- provisions promoting the State's energy efficiency GHG emissions goals must be included in requests for proposals for space to be leased to the State that would obligate the State to pay utility bills for the leased space.

Maryland Green Purchasing Committee

MGPC, staffed by DGS, must provide the State with information and assistance regarding environmentally preferable purchasing through, among other strategies, developing and implementing statewide policies, guidelines, programs, best practices, and regulations. It must also establish environmentally preferable specifications to be adopted by State agencies. By December 31 of each year, MGPC must report to the General Assembly on its activities and progress.

Maryland Clean Energy Center

MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with the Maryland Energy Administration, collect, analyze, and disseminate industry data; (5) provide outreach and technical support to further the clean energy industry; and (6) work as a green bank and in conjunction with local and private green banks.

Power Plant Research Program

PPRP, within the Department of Natural Resources, is responsible for managing a consolidated review of all issues related to power generation in the State, with the goal of balancing need, cost, and impact.

State Expenditures: The bill does not define biogas or establish criteria for determining whether biogas is competitively priced, of satisfactory quality, and readily available. This analysis assumes the bill's conditions are met, allowing the program to be established.

Department of General Services

Although DGS is responsible for purchasing electricity on behalf of the State, DGS advises that the University of Maryland, College Park Campus (UMCP) purchases natural gas on
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behalf of the State. According to DGS, UMCP makes natural gas available to State agencies through a retail agreement for small accounts and a wholesale agreement for major contracts, which make up about 90% of all purchases. UMCP has previously advised that the wholesale contracts are hedged, whereas the retail contracts are for three to five years and are purchased through a closed bid process.

Although UMCP has experience purchasing fossil natural gas for the State, none of the entities affected by the bill has expertise or experience purchasing biogas, which comes from different suppliers and uses different delivery mechanisms. Therefore, DGS requires an additional procurement staff person with expertise in biogas purchasing. As the program ends in less than four years, contractual staff is appropriate.

Therefore, general fund administrative expenditures for DGS increase by \$73,668 in fiscal 2026, which accounts for the bill's October 1, 2025, effective date. This estimate reflects the cost of hiring one contractual procurement officer with expertise in biogas procurement to (1) develop and manage the program and (2) collect and analyze, in consultation with USM, MGPC, and MCEC, the data on natural gas consumption. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1.0
Salary and Fringe Benefits	\$66,299
Operating Expenses	<u>7,369</u>
Total FY 2026 DGS Expenditures	\$73,668

Future year administrative expenditures reflect (1) a full salary with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) the termination of the contractual position at the end of fiscal 2029, consistent with the bill's termination date.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

It is assumed that USM, MGPC, and MCEC, can consult with DGS as needed using existing budgeted resources.

University System of Maryland and Power Plant Research Program

USM estimates the cost of conducting the carbon lifecycle analysis required by the bill to be at least \$200,000, and the Department of Legislative Services concurs. In general, special funds from the Environmental Trust Fund are used to fund PPRP's operations. However, general funds may be required to cover part or all of the expenses that PPRP

incurs under the bill because the department anticipates a special fund revenue shortfall. Therefore, general/special fund expenditures increase by at least \$200,000, in fiscal 2026 only, to reimburse USM for the cost of the carbon lifecycle analysis.

Biogas Purchases

As DGS does not normally procure natural gas, it is not clear if the program will supplement or supplant some or all of the natural gas purchased by UMCP. In either case, biogas is generally more expensive than fossil natural gas. According to DGS, costs can range from 1.2 to 5 times more expensive. Given the range in possible price variations, and since the bill does not specify how much biogas DGS must purchase through the program, a reliable estimate of the bill's effect on State expenditures is not feasible. The difference in costs of biogas compared to fossil natural gas under the program, however, is limited by the bill's criteria for implementation of the Clean Energy Procurement Program that biogas is competitively priced. If DGS pays a competitive, but nonetheless higher, price for the biogas and makes it available to other agencies on a reimbursable basis, State expenditures (all funds) increase to purchase biogas under the program.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 480 (Senators Gallion and Hester) - Education, Energy, and the Environment and Budget and Taxation.

Information Source(s): University System of Maryland; Maryland Department of the Environment; Department of General Services; Department of Natural Resources; Department of Legislative Services

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