Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 258 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - General Services)

Education, Energy, and the Environment Environment and Transportation

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Department of General Services - State Buildings and Facilities - Energy Conservation and Greenhouse Gas Emissions Reductions

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This departmental bill codifies and implements the provisions of the Governor's Executive Order 01.01.2023.07, which requires that the State reduce energy consumption in State-owned buildings by 20% by 2031 compared with a fiscal 2018 baseline. It also repeals obsolete statutory language related to a rescinded executive order. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: As the bill codifies an existing executive order, any financial costs or benefits associated with implementing the bill's requirements are attributable to the executive order, not the bill, as discussed below.

Local Effect: None.

Small Business Effect: The Department of General Services (DGS) has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment, as discussed below.

Analysis

Bill Summary/Current Law: Chapter 289 of 2020 codified Executive Order 01.01.2019.08, which required that the State reduce energy consumption in State-owned buildings by 10% by 2029 compared with a fiscal 2018 baseline. Executive Order

01.01.2023.07 rescinds the 2019 executive order and instead requires that the State reduce energy consumption in State-owned buildings by 20% by 2031, compared with the fiscal 2018 baseline. In addition, the bill repeals statutory language that implemented the 2019 executive order and instead codifies provisions from the 2023 executive order that implement the new goal.

Implementation of the Executive Order

The bill mirrors the requirements of Executive Order 01.01.2023.07, including the following provisions:

- the Maryland Green Building Council (MGBC) 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 greenhouse gas (GHG) emissions by 2045;
- DGS must identify potential candidates for energy savings performance contracts (EPCs) 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 2 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.

Likewise, the bill includes a related reporting requirement for DGS.

Climate Solutions Now Act of 2022

The Climate Solutions Now Act of 2022 (Chapter 38 of 2022) explicitly requires the State to reduce statewide GHG emissions by 60% from 2006 levels by 2031. The bill also explicitly requires the State to achieve net-zero statewide GHG emissions by 2045.

High-performance Buildings

Chapter 124 of 2008 requires most new or renovated State buildings to be constructed as high-performance buildings, subject to waiver processes established by the Department of Budget and Management (DBM) and DGS.

Chapter 124 defines a high-performance building as one that:

- meets or exceeds the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certification criteria for a silver rating;
- achieves a comparable numeric rating according to a nationally recognized, accepted, and appropriate standard approved by DBM and DGS; or
- complies with a nationally recognized and accepted green building code, guideline, or standard reviewed and recommended by MGBC and approved by DBM and DGS.

Based on a unanimous recommendation from MGBC, in 2017, DGS and DBM approved the use of the Green Globes rating system developed by the Green Building Initiative as an alternative to LEED silver.

Only new or renovated State buildings that are at least 7,500 square feet and are built or renovated entirely with State funds are subject to the high-performance requirement. Additionally, building renovations must include the replacement of heating, ventilation, air conditioning, electrical, and plumbing systems and must retain the building shell. Unoccupied buildings are exempt from the high-performance mandate, including warehouses, garages, maintenance facilities, transmitter buildings, and pumping stations. Also, community college capital projects must be constructed or renovated as high-performance buildings.

Background: The State has already achieved energy savings of 13% compared with the fiscal 2018 baseline due to ongoing efforts to upgrade building systems using EPCs in accordance with current law.

DGS's Energy Office purchases energy for all State agencies and is funded entirely with reimbursable funds. To support the office's operations, agencies pay a per-kilowatt fee to the office, which represents a fraction of the savings in energy costs that they have realized due to the office's energy purchases. As a result, the office no longer charges fees for other services it provides, including management of EPCs for State agencies.

State Fiscal Effect: DGS advises that it requires 6.5 additional full-time equivalent (FTE) staff to implement the bill; DLS notes that the need for additional staff stems from the Governor's executive order, not the bill. As the bill only codifies the executive order, any costs associated with its implementation are attributable to the executive order, not the bill.

More specifically, DGS advises that it requires one additional staff person to manage the likely increase in the number of EPCs it initiates and manages to meet the higher goal. It anticipates being able to enter into two additional EPCs annually for several years to help further reduce the State's energy costs. The cost of that position is likely covered by the office's fee.

In addition, DGS advises it requires additional architects and project managers (5.5 FTE positions) to design and oversee new decarbonization/electrification projects to reduce GHG emissions in accordance with the Climate Solutions Act. The increased energy purchasing fees paid by State agencies to the Energy Office are sufficient to enable the office to carry out the bill's requirements. These positions will also help monitor whether buildings are complying with the net-zero emissions goal established in the Act.

The Comprehensive Utility Records Management Database required by the bill has already been developed and is in operation.

Small Business Effect: DGS advises that the increase in EPCs and decarbonization projects likely results in more contracting opportunities for small businesses that specialize in energy efficiency projects. As with State costs, any benefits for small businesses are attributable to the executive order, not the bill.

Additional Information

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

Designated Cross File: HB 130 (Chair, Environment and Transportation Committee)(By Request - Departmental - General Services) - Environment and Transportation.

Information Source(s): Department of Information Technology; Maryland Department of Aging; Department of Commerce; Maryland Department of Emergency Management; Maryland State Department of Education; University System of Maryland; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of the Environment; Department of General Services; Department of Human Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Planning; Department of Public Safety and Correctional Services; Department of State Police; Maryland Department of Transportation; Department of Veterans Affairs; Department of Service and Civic Innovation; Maryland Energy Administration; Maryland Insurance Administration; State Retirement Agency; Department of Legislative Services

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km/ljm Third Reader - March 1, 2024

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

Potentially provides opportunities for small construction businesses as buildings are updated to increase their energy efficiency.

TITLE OF BILL: Department of General Services - State Buildings and Facilities - Energy Conservation and Greenhouse Gas Emissions Reductions

BILL NUMBER: SB 258

PREPARED BY: David St. Jean, Office of Energy and Sustainability
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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

____ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

__**X**_ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Increasing the energy savings goal for 110 million square feet of State buildings from 10% to 20% will require buildings to undergo construction and renovation projects to reduce their energy use. Trades such as HVAC mechanics, plumbers, insulation contractors, glazing installers, roofers and electricians could all benefit from these projects.