

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 1363 (Delegate Franchot)  
Environmental Matters

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**Maryland Energy Administration - Home Energy Rating Certificates**

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This bill authorizes an individual to apply to the Maryland Energy Administration (MEA) for a home energy rating certificate (HERC) that will provide a standardized evaluation of the energy efficiency and expected energy costs for the individual's home. MEA may charge a reasonable application fee for a HERC. In addition, MEA is required to establish guidelines and standards that qualified home energy rating providers will follow.

The bill takes effect on January 1, 2003.

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**Fiscal Summary**

**State Effect:** MEA is currently developing a home energy rating system (HERS) program that it expects to be completed by January 1, 2003. Essentially, the bill codifies an anticipated program.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** There is no statutory provision that addresses home energy ratings or HERCs.

**Background:** A home energy rating is a standard measurement of the energy efficiency of a home. An energy rating allows a home buyer to easily compare the energy costs for various homes the buyer may be considering. A homeowner who wants to upgrade the energy efficiency of a home can use the energy rating to evaluate and pinpoint specific, cost-effective improvements.

Home energy ratings involve an on-site inspection of a home by a residential energy efficiency professional -- a home energy rater. Home energy raters are trained and certified by the operating home energy rating system. As a rule, home energy raters come from either the housing or energy fields. Their backgrounds include experience as home inspectors, appraisers, energy auditors, low-income weatherization contractors, and energy efficient home builders and designers.

The home energy rater inspects the home and measures its energy characteristics, such as insulation levels, window efficiency, wall-to-window ratios, heating and cooling system efficiency, the solar orientation of the home, and the water heating system. The data gathered by the home energy rater is put into a computer program and translated into points. The home receives a point score between 1 to 100, depending on its relative efficiency.

An estimate of the energy costs of a home is also provided. The energy rating of a home is then equated to a star rating ranging from a "1 star" for a very inefficient home to a "5 star" for a highly efficient home. Along with the rating sheet, a homeowner receives a report listing cost-effective options for improving the energy rating of a home.

Home energy ratings are valuable to the housing industry and can be utilized in a variety of ways, including as a recognized tool in the mortgage process. An energy mortgage is a mortgage that credits the energy efficiency of a home in the home loan allowing the borrower a greater debt-to-income ratio and giving the home buyer the ability to buy a higher quality home because of the lower monthly costs of heating and cooling the home. For homes in which the energy efficiency can be improved, this concept allows the money saved in monthly utility bills to finance energy improvements.

**State Revenues:** MEA advises that in the process of developing its HERS program, it anticipates setting a reasonable application fee for a HERC. Nationally, fees charged for HERCs range from \$15 to \$35 per rating reviewed and certified. MEA advises that if it charged \$25 per rating, it anticipates collecting \$1,375 in special funds in 2003 (55 ratings), \$4,750 in 2004 (190 ratings), and \$9,375 in 2005 (300 ratings). The number of ratings MEA anticipates certifying is based on surveys of other states that have similar HERS programs.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Energy Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 19, 2002  
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Analysis by: Anne E. Gawthrop

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510