

**Department of Legislative Services  
Maryland General Assembly  
2006 Session**

**FISCAL AND POLICY NOTE  
Revised**

House Bill 1463

(Delegate Bromwell, *et al.*)

Environmental Matters

Education, Health, and Environmental Affairs

**State Buildings Energy Efficiency and Conservation Act**

This bill changes target percentages and dates for the reduction of energy consumption in State buildings. The bill also alters dates by which each State agency must conduct energy consumption analyses on each of its buildings and upgrade its energy conservation plan. The bill applies to the Maryland Department of Transportation (MDOT) only with respect to office buildings that contain the department's headquarters or administrative offices of a modal administration within the department.

**Fiscal Summary**

**State Effect:** General fund contractual personnel expenditures would increase by at least \$116,800 in FY 2007. FY 2008 expenditures reflect annualization and inflation. Significant expenditure decreases are expected in the long run if the targeted energy reduction goals are met, conceivably in the millions of dollars. No effect on revenues.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	116,800	151,900	0	0	0
Net Effect	(\$116,800)	(\$151,900)	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** The Department of General Services (DGS), in cooperation with the Maryland Energy Administration (MEA), must set energy performance standards to reduce the average energy consumption in State buildings, from the level in 2005, by 5% in 2009 and 10% in 2010.

By December 31, 2007, each State agency must conduct an analysis of the gas and electric consumption in each of the buildings under its jurisdiction and the cost of that consumption. The analysis must be conducted under the direction of MEA and DGS and must include an examination of methods to achieve energy and costs savings.

By July 1, 2008, each State agency must upgrade its energy conservation plan, developed in consultation with MEA and DGS, to achieve the performance standards set by DGS.

The bill's requirements do not apply to buildings under the jurisdiction of MDOT, with the exception of office buildings that contain the department's headquarters or the administrative offices of a modal administration within the department.

**Current Law:** DGS, in cooperation with MEA, is required to establish standards and procedures, including energy conservation performance guidelines, to evaluate the efficiency of the design for any proposed State-financed or State-assisted building construction. DGS must set standards for energy performance indices to serve as a measure of building performance with respect to energy consumption, and to allow DGS to audit and evaluate competing design proposals.

The current target percentages and dates, based upon which DGS is to set energy performance standards, are obsolete. Average energy consumption per square foot in State buildings was targeted to be reduced from the level in 1992, by 15% in 1996 and 25% in 2001. Each agency was to conduct an energy consumption analysis of each of its buildings by December 31, 1992 and update its energy conservation plan by July 1, 1994.

Executive Order 01.01.2001.02 requires the State, through cost-effective energy measures, to reduce energy consumption per gross square foot of its facilities by 10% by 2005 and 15% by 2010, using 2000 as a baseline.

**Background:** The provisions of State law relating to energy efficiency and conservation in State buildings (State Finance and Procurement Art., § 4-801 thru § 4-808) are intended to encourage the consideration of energy efficiency in building design and establish a model for future application in the private sector through the State policy that any building financed or constructed by the State or with State assistance must be

designed and constructed to minimize cost and achieve the most efficient use of energy resources in the operation and maintenance of the building.

These provisions were established by Chapter 597 of 1978. The target percentages and dates for energy consumption reduction currently in the law were added by Chapter 490 of 1992. MEA advises that attempting to meet the target percentages by the specified dates currently in the law was a success in reducing energy consumption, however it was not possible in 1996 and 2001 and currently is still not possible to calculate overall energy consumption reductions in State buildings with certainty. Only rough estimates can be made, due to the fact that the State does not have the ability, either through coordinated metering or uniform utility billing to accurately calculate energy consumption reductions. DGS, however, is currently prepared to issue a Request for Proposals to track energy use data.

**State Expenditures:** MEA and DGS would need additional resources to assist each State agency in performing energy consumption analysis of each of the buildings under its jurisdiction and upgrading its energy conservation plan. The agencies estimate that the amount of work that may need to be done could require two new positions in both MEA and DGS. Legislative Services agrees that at least one new contractual, full-time position would be needed for each agency through fiscal 2008, or in the alternative, the work could possibly be contracted out. Once the workload associated with the bill's changes is better determined, MEA and DGS may need to request additional positions. Assuming one new contractual, full-time position were added to both MEA and DGS, general fund expenditures would increase by at least \$116,800 in fiscal 2007, which accounts for the bill's October 1, 2006 effective date. The estimate includes salaries, fringe benefits, and ongoing operating expenses.

	<u>MEA</u>	<u>DGS</u>
Salaries and Fringe Benefits	\$64,500	\$51,000
Other Operating Expenses	<u>1,200</u>	<u>100</u>
<b>Total</b>	<b>\$65,700</b>	<b>\$51,100</b>

**Total Administrative Expenditures** **\$116,800**

Future year expenditures reflect (1) full salaries with 4.6% annual increases and 6.8% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

On the other hand, implementation of the upgraded energy conservation plans could result in a significant decrease in State energy expenditures in the long run. Energy efficiency improvements likely would be made through energy performance contracting

supported by MEA and DGS in which the cost of the improvement is paid for through guaranteed energy savings over a period of years, after which State expenditures would decrease, reflecting the continued energy savings.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 267 (Senator Garagiola, *et al.*) – Education, Health, and Environmental Affairs.

**Information Source(s):** Department of General Services, Maryland Energy Administration, Department of Budget and Management, Department of Legislative Services

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