

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 662 (Chair, Health and Government Operations
Committee)(By Request - Departmental - General
Services)

Health and Government Operations Education, Health, and Environmental Affairs

**Department of General Services - Energy Consumption Goals and Energy
Performance Contracts**

This departmental bill codifies and implements the requirements of the Governor’s Executive Order 01.01.2019.08, which requires that the State reduce energy consumption in State-owned buildings by 10% by 2029 compared with a fiscal 2018 baseline. It also institutes new requirements for State agencies that plan, pursue, and enter into an energy performance contract (EPC). Finally, it repeals obsolete provisions related to energy conservation in State buildings. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: The Department of General Services (DGS) can carry out the bill’s requirements, which are already required under the Governor’s executive order, with existing budgeted resources, as discussed below. The new threshold may result in reduced utility costs for State agencies, potentially by as much as \$21 million by FY 2029. No effect on revenues.

Local Effect: None.

Small Business Effect: DGS has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Implementation of the Executive Order

The bill mirrors the requirements of Executive Order 01.01.2019.08, including the following provisions:

- annually, DGS must analyze all State-owned buildings to identify which buildings are least energy-efficient, and conduct an energy audit of at least 2 million square feet of the least energy-efficient State-owned buildings;
- the audits must identify low-cost measures to increase energy efficiency;
- State agencies that receive energy audits must implement the identified measures to the fullest extent practicable;
- DGS must develop a comprehensive utility records management database and use the database to monitor each agency's energy use, track changes resulting from the measures, and calculate any energy cost savings;
- beginning July 1, 2020, provisions promoting the State's energy efficiency goals must be included in requests for proposals (RFPs) 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.

Energy Performance Contracts

A State agency must consult with DGS during the development phase of a project that will require an EPC. An agency pursuing an EPC must receive final approval from DGS before submitting the proposed contract to the Board of Public Works (BPW) for approval. An agency that has entered into an EPC must submit any required annual measurement and verification reports to DGS for review.

Current Law: Chapter 11 of 2016 reauthorized the Greenhouse Gas Emissions Reduction Act and requires the State to develop plans, adopt regulations, and implement programs to reduce greenhouse gas emissions by 40% from 2006 levels by 2030.

State law defines an EPC as an agreement for the provision of energy services, including electricity, heating, ventilation, cooling, steam, or hot water in which a person agrees to design, install, finance, maintain, or manage energy systems or equipment to improve the energy efficiency of a building or facility in exchange for a portion of the energy savings.

Procurement units in the State are authorized to enter into EPCs with a duration of no more than 15 years, subject to the approval and control of BPW and the Chief Procurement Officer. Prior to issuing an RFP for an EPC, a unit must consult with DGS and the Chief Procurement Officer; DGS must review the RFP to ensure that it meets State energy standards and satisfies other specified conditions. The Treasurer is authorized to enter into a capital lease consistent with current law to finance an EPC.

Before approving an EPC, BPW must ensure that projected annual energy savings under the contract will exceed the projected annual payments under the contract. It must also determine, based on a review by DGS, whether the proposed energy technology is appropriate for the time period covered by the contract.

Background: According to the Governor's executive order, the State spends \$210 million each year on energy-related utilities and has seen a reduction in energy costs for State facilities since 2014.

DGS's Energy Office purchases energy for all State agencies and is funded entirely with reimbursable funds. It advises that its hedging strategies have saved the State more than \$80 million in utility costs from fiscal 2012 through 2018. 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. The fee was recently raised to further support the office's work to implement the Governor's executive order, among other reasons. As a result, the office no longer charges fees for other services it provides, including management of EPC contracts for State agencies.

State Fiscal Effect: DGS advises that 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.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Information Technology; Department of Budget and Management; Department of General Services; Maryland Department of Health; Department of Public Safety and Correctional Services; Board of Public Works; Maryland Department of Transportation; Maryland Energy Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2020
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of General Services – Energy Consumption Goals and Energy Performance Contracts

BILL NUMBER: HB662

PREPARED BY: Ellen Robertson, Legislative Liaison

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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

OR

___ WILL HAVED MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL SUBINESSES