

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1451 (Delegate Chisholm, *et al.*)

Environment and Transportation and
Economic Matters

Climate Solutions Affordability Act of 2025

This bill alters specified provisions of the Climate Solutions Now Act (CSNA) (Chapter 38 of 2022) so that they apply only *to the extent economically practicable*. Affected provisions relate to (1) the development and implementation of building energy performance standards (BEPS) and related reporting and benchmarking requirements for owners of covered buildings; (2) the implementation of a final plan to achieve statewide greenhouse gas (GHG) emissions reduction targets; (3) the purchase of zero-emission school buses; (4) requirements for utility companies to pay prevailing wages on specified projects; (5) the adoption and implementation of the International Green Construction Code (IGCC); (6) the procurement of electricity for State facilities using no- or low-carbon energy sources; and (7) the purchase of zero-emission vehicles (ZEV) for the State fleet.

Fiscal Summary

State Effect: State expenditures (all/multiple funds) to implement CSNA may decrease or be delayed depending on the determinations of whether implementation is economically practicable. However, any such impacts cannot be reliably predicted, as discussed below. State revenues are not anticipated to be materially affected.

Local Effect: Local government expenditures to implement CSNA may decrease or be delayed depending on the determinations of whether implementation is economically practicable. However, any such impacts cannot be reliably predicted, as discussed below. Local revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Building Energy Performance Standards

Under current law, the Maryland Department of the Environment (MDE) must develop BEPS for covered buildings that achieve (1) a 20% reduction in net direct GHG emissions by January 1, 2030, as compared with 2025 levels for average buildings of similar construction and (2) net-zero direct GHG emissions by January 1, 2040. Covered buildings are buildings that have a gross floor area of 35,000 feet or more and are commercial or multifamily residential buildings or buildings owned by the State, with specified exceptions. *Under the bill*, the standards must achieve these same stated targets to the extent economically practicable.

Under current law, to facilitate the development of BEPS, MDE must require owners of covered building to measure and report direct emissions data to the department each year beginning in 2025. *Under the bill*, MDE must require owners of covered buildings to annually report direct emissions data to MDE to the extent economically practicable.

Greenhouse Gas Emissions Reduction Targets and Related Plans

Under current law and the bill, by June 30, 2023, MDE was required to submit a proposed plan to the Governor and the General Assembly that reduces statewide GHG emissions by 60% from 2006 levels by 2031. By December 31, 2023, MDE was required to adopt a final plan to meet the 2031 goal and that set the State on a path toward achieving net-zero statewide GHG emissions by 2045. By December 31, 2030, MDE must adopt a final plan that achieves net-zero statewide GHG emissions by 2045; by December 31, 2035, MDE must review and, as necessary, revise that plan.

Under the bill, the final plan to reduce statewide GHG emissions by 60% from 2006 levels by 2031 must be implemented to the extent economically practicable.

Zero-emission Vehicles

School Buses: Under current law and the bill, beginning in fiscal 2025, a local board of education is prohibited from entering into a new contract to purchase any school bus that is not a ZEV or to use any school bus that is not a ZEV, unless the school bus has an in-service date of July 1, 2024, or before. However, the prohibition does not apply if (1) MDE determines that no available ZEVs meet the performance requirements for the local school board's use or (2) the local school board is unable to obtain federal, State, or private funding that is sufficient to cover the incremental costs associated with contracting

for the purchase or use of school buses that are ZEVs. *The bill* establishes another exemption to the prohibition if it is not economically practicable for the local school board to meet the ZEV school bus requirements.

Zero-emission Passenger Cars and Other Light-duty Vehicles: Under current law, it is the intent of the General Assembly that 100% of passenger cars in the State vehicle fleet be ZEVs by 2031 and that other light-duty vehicles in the State vehicle fleet be ZEVs by 2036. Under the bill, these goals still apply, but only to the extent economically practicable.

Under current law, the State must ensure that (1) in fiscal 2023 through 2025, inclusive, at least 25% of the passenger cars purchased for the State vehicle fleet are ZEVs; (2) in fiscal 2026 and 2027, at least 50% of the passenger cars purchased for the State vehicle fleet are ZEVs; (3) beginning in fiscal 2028, 100% of the passenger cars purchased for the State vehicle fleet are ZEVs; and (4) beginning in fiscal 2024, any passenger car purchased for the State vehicle fleet that is *not* a ZEV must be a hybrid vehicle. Under the bill, these requirements apply to the extent economically practicable.

Further, under current law, the State must ensure that (1) in fiscal 2028 through 2030, inclusive, at least 25% of all other light-duty vehicles purchased for the State vehicle fleet are ZEVs; (2) in fiscal 2031 and 2032, at least 50% of all other light-duty vehicles purchased for the State vehicle fleet are ZEVs; and (3) beginning in fiscal 2033, 100% of all other light-duty vehicles purchased for the State vehicle fleet are ZEVs. Under the bill, these requirements apply to the extent economically practicable.

Wage and Labor Requirements for Specified Electric Infrastructure Work

Under current law, an investor-owned electric company or gas and electric company must require a contractor or subcontractor that is working on specified projects (described below) to (1) pay the area prevailing wage for each trade employed, including wages and fringe benefits; (2) offer health care and retirement benefits to the employees working on the project; (3) participate in an apprenticeship program registered with the State for each trade employed on the project; (4) establish and execute a plan for outreach, recruitment, and retention of State residents, as specified, to perform work on the project; (5) have been in compliance with federal and State wage and hour laws for the previous three years; (6) be subject to all State reporting and compliance requirements; and (7) maintain all appropriate licenses in good standing. Under the bill, the requirement to pay the prevailing wage for each trade employed, including wages and fringe benefits, applies to the extent economically practicable. The other requirements remain unchanged.

Under current law and the bill, these wage and labor requirements apply to a project that (1) involves the construction, reconstruction, installation, demolition, restoration, or alteration of any electric infrastructure of the company (and any related traffic control

activities) and (2) is funded by federal funds to meet the State's policy goals for electric system planning, as specified. The wage and labor requirements only apply to the portion of a project supported by the federal funds.

Maryland Building Performance Standards and the International Green Construction Code

Under current law and the bill, the Maryland Department of Labor (MD Labor) is required to adopt, as the Maryland Building Performance Standards, the most recent version of the International Building Code (IBC), including the International Energy Conservation Code (IECC), along with applicable modifications authorized in Title 12 of the Public Safety Article. Within 18 months of the release of each new version of IBC, MD Labor is required to review the new version, consider modifications, and adopt specified modifications related to energy conservation and efficiency. MD Labor is prohibited from adopting any modification that is more stringent than IBC, except that an energy conservation requirement may be more stringent than IECC. MD Labor was also required to adopt by regulation the 2018 IGCC by January 1, 2023, and is required to adopt each subsequent version within 18 months after it is issued.

Under the bill, however, a regulation adopted pursuant to these requirements must allow for IGCC to be implemented to the extent economically practicable.

Electricity Supply for State Facilities

Under current law, by January 1, 2030, each primary procurement unit must ensure that at least 75% of the electricity supply procured by the unit for use in State facilities is derived from no- or low-carbon energy sources. *Under the bill*, each primary procurement unit must meet this standard to the extent economically practicable.

State Expenditures: In general, it is anticipated that bill may result in reduced expenditures for State agencies (all/multiple fund types). However, actual impacts depend on determinations of whether the implementation of the requirements under CSNA are economically practicable. A more detailed description of the potential impacts related to the bill's provisions are discussed below.

Building Energy Performance Standards, Greenhouse Gas Emissions Reduction Requirements, and Other Energy-related Measures

MDE is the lead agency in charge of developing statewide plans and general implementation of the statewide GHG emissions reductions targets and BEPS under CSNA. MDE advises that it does not anticipate that the bill affects its implementation of CSNA because MDE's implementation plans are designed to function within economic

practicability. Further, MDE anticipates that in the long run, the implementation of BEPS and other GHG emissions reduction measures provides economic benefits to the State. According to MDE, under its [Climate Pollution Reduction Plan](#), which was published in December 2023 to implement CSNA, new policies are estimated to generate up to \$1.2 billion in public health benefits, \$2.5 billion in increased personal income, and a net gain of 27,400 jobs by 2031. Therefore, the extent to which the bill's changes affect the implementation of these provisions and related State expenditures is unclear, but the resulting effects may be negligible.

MD Labor advises that the requirement that specified regulations adopted by MD Labor must allow for IGCC to be implemented to the extent economically practicable renders this standard permissible rather than mandatory. MD Labor notes that it is unclear who makes the determination of economic practicability. Therefore, the impacts from this change are also unclear, but the Department of Legislative Services presumes that the bill may delay or halt future adoption of new versions of IGCC.

Any delays in implementing BEPS or IGCC may reduce the cost of future State capital projects since they will not have to implement GHG-reducing technologies and design features. Although the bill has no effect on total capital spending, which is established annually by the Governor and the General Assembly through the capital budget process, funding for other capital projects is increased to the extent that capital project costs are reduced as a result of the bill.

Zero-emission Vehicles for the State Fleet

Sufficient information was not provided by the Department of General Services (DGS), which is responsible for procuring most vehicles for the State fleet, in time to fully analyze the fiscal impact of the bill's provisions relating to the purchase of ZEVs for the State fleet. Even so, it is anticipated that State expenditures (multiple fund types) may decrease depending on determinations of economic practicability regarding the requirements set under CSNA to convert the State vehicle fleet to ZEVs. DGS advises that since “economically practicable” is not defined, the actual impacts of these provisions cannot be reliably estimated at this time.

Procurement of Electricity for State Facilities

Sufficient information was not provided by DGS, which is responsible for procuring electricity on behalf of most State agencies, in time to fully analyze the fiscal impact of the bill's provision relating to the procurement of electricity for use in State facilities. Even so, it is anticipated that State expenditures (multiple fund types) may decrease depending on determinations of the economic practicability of the requirement for at least 75% of the electricity supply procured for use in State facilities be derived from

no- or low-carbon energy sources by January 1, 2030. Again, DGS advises that since “economically practicable” is not defined, the actual impacts of this provision cannot be reliably estimated at this time.

Prevailing Wage Requirements for Utility Contractors and Subcontractors

Neither MD Labor nor the Public Service Commission has an operational role in enforcing prevailing wage requirements for public utilities, so the bill has no direct effect on State agencies. To the extent that the bill eliminates the requirement to pay prevailing wages on affected utility construction projects, electricity costs for all consumers, including the State, may decrease minimally.

Local Expenditures: In general, it is anticipated that the bill may result in reduced expenditures for local governments. However, actual impacts depend on determinations of whether the implementation of the requirements under CSNA are economically practicable. A more detailed discussion of some of the potential effects on local governments is provided below.

Similar to the impact on State agencies, the extent to which the bill results in cost savings for local governments as owners of covered buildings is somewhat unclear. According to MDE, the current plans to implement BEPS and to meet other GHG emissions reductions targets already incorporate economic practicability.

Current law already exempts local boards of education from the requirement to obtain ZEV school buses if MDE determines that no ZEV school buses meet the performance requirements for the local board’s use or if the local board is unable to obtain federal, State, or private funding sufficient to cover the incremental costs associated with contracting for the purchase or use of ZEV school buses. Therefore, it is unclear whether the additional exemption established by the bill – if it is not economically practicable for a local school board to meet the ZEV school bus requirements – has any meaningful impact on local government spending.

The requirement that regulations adopted by MD Labor must allow for IGCC to be implemented to the extent economically practicable may delay or halt adoption of IGCC at the State level (as discussed above) and, therefore, at the local level. Typically, local governments adopt amendments to local building codes after statewide adoption. MD Labor notes that local governments that still desire to adopt the most recent IGCC may potentially need to adopt the code through their own local processes if the adoption of future versions at the State level is delayed or halted.

Small Business Effect: The requirement to pay prevailing wages on specified utility construction projects only to the extent economically practicable may reduce electricity costs for small businesses, but any effect is expected to be minimal.

Similar to the impact on State agencies and local governments described above, the extent to which the bill results in cost savings for small businesses that own covered buildings is somewhat unclear. According to MDE, the current plan regarding the implementation of BEPS already incorporates economic practicability. Further, as mentioned above, the current plans to implement CSNA are anticipated to result in a net increase in job opportunities, including for small businesses.

Additional Information

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

Designated Cross File: SB 779 (Senator Gallion, *et al.*) - Education, Energy, and the Environment and Finance.

Information Source(s): Calvert, Howard, and Prince George's counties; Maryland Association of Counties; Maryland State Treasurer's Office; University System of Maryland; Morgan State University; St. Mary's College of Maryland; Interagency Commission on School Construction; Maryland Department of the Environment; Department of General Services; Maryland Department of Labor; Board of Public Works; Maryland Department of Transportation; Office of People's Counsel; Public Service Commission; Maryland Stadium Authority; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Prince George's County Public Schools; Department of Legislative Services

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