

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 479 (Senator Gallion, *et al.*)
Education, Energy, and the Environment

**Building Energy Performance Standards - Public Safety, Emergency, and Public
Utility Buildings - Exclusion**

This bill alters the definition of a “covered building” as it applies to the State’s building energy performance standards (BEPS) to exclude specified public safety, emergency, and public utility buildings. More specifically, a “covered building” does not include (1) a public building that is designated by any unit of federal, State, or local government for public safety purposes or use as an emergency storm shelter or (2) a public utility building.

Fiscal Summary

State Effect: The Maryland Department of the Environment (MDE) can implement the bill with existing budgeted resources. State expenditures (all/multiple funds) may decrease in the near term due to the bill’s exemption, as discussed below. In the long term (beyond the five-year period covered by this fiscal and policy note), any energy savings that would have been realized from the implementation of BEPS is foregone. State revenues are not affected in the five-year period covered by this fiscal and policy note.

Local Effect: Local expenditures may decrease in the near term due to the bill’s exemption, as discussed below. In the long term (beyond the five-year period covered by this fiscal and policy note), any energy savings that would have been realized from the implementation of BEPS is foregone. Local revenues are not affected.

Small Business Effect: Minimal or none.

Analysis

Current Law: “Covered building” means a building that (1) is a commercial or multifamily residential building in the State or is owned by the State and (2) has a gross floor area of 35,000 square feet or more (excluding the parking garage area. “Covered building” does not include (1) a building designated as a historic property under federal, State, or local law; (2) a public or nonpublic elementary or secondary school building; (3) a manufacturing building; or (4) an agricultural building.

Climate Solutions Now Act – In General

The Climate Solutions Now Act (CSNA) (Chapter 38 of 2022) made broad changes to the State’s approach to reducing statewide greenhouse gas (GHG) emissions and addressing climate change. Among other things, CSNA accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

Building Energy Performance Standards

To accomplish these goals, among other things, CSNA requires MDE to 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. To facilitate the development of these BEPS, MDE must require covered building owners to measure and report direct emissions data to the department each year beginning in 2025. The provision requiring MDE to set a standard that achieves net-zero direct GHG emissions for covered buildings terminates December 31, 2029.

Implementing Regulations

CSNA also required MDE to adopt regulations to implement BEPS by June 1, 2023. The regulations must meet several specified requirements. Among other things, the regulations must (1) include energy use intensity (EUI) targets by building type, as specified; (2) provide maximum flexibility to the owners of covered buildings; (3) include an alternate compliance pathway allowing the owner to pay a fee for GHG emissions attributable to the building’s failure to meet direct GHG emissions reduction targets; and (4) to the extent authorized by law, include financial incentives recommended by the Building Energy Transition Implementation Task Force.

MDE initiated the regulatory promulgation process to implement the required BEPS regulations in December 2023 but ultimately withdrew the regulations in December 2024. MDE finalized a second round of BEPS regulations that took effect December 23, 2024. The regulations establish BEPS and related benchmarking and reporting requirements under COMAR 26.28. However, the regulations do not include EUI standards. Under the regulations, beginning in calendar 2025, covered building owners are required to report benchmarking information for the previous calendar year by June 1.

The fiscal 2025 budget as enacted included language restricting funding for the final development and submission of EUI targets and standards regulations until MDE submits, among other things, a report on EUI costs and alternatives to EUI for meeting GHG targets.

State/Local Expenditures: Expenditures may decrease for State agencies and local governments that are no longer required to meet BEPS for certain public buildings due to the bill's exemption. The near-term cost savings may be significant for some affected building owners, particularly with respect to covered buildings that would have otherwise required costly retrofits in order to meet BEPS. However, in the long term, entities that choose not to meet BEPS due to the bill's exemption will forego any cost savings that otherwise would have been realized from implementing energy efficiency measures under BEPS. Several affected agencies indicate that they plan to meet BEPS despite the bill's exemption due to current policies and building plans already in place.

Information gleaned from a limited survey of potentially affected State agencies and local governments includes the following:

- Anne Arundel County anticipates a meaningful reduction in costs from the exemption of public utility buildings from BEPS;
- Baltimore County advises that the bill results in a modest reduction in compliance costs to meet BPES at fire stations; however, in general, the county's new buildings already comply with BEPS;
- Frederick County advises that by excluding public safety, emergency storm shelters, and public utility buildings from BEPS, the county avoids some compliance costs; however, the county notes that it is already in the process of upgrading county facilities to energy-efficient standards;
- the City of Frederick advises that it has two buildings that would be exempted from BEPS under the bill and, as a result, the city anticipates a decrease in compliance costs;
- the Maryland Municipal League advises that the bill results in a decrease in compliance costs for municipalities that own exempted buildings, such as police stations, fire stations, emergency shelters, and public utilities; and

- the Department of Public Safety and Correctional Services advises that all of its facilities (that are presumably exempted under the bill as they serve a public safety purpose) operate using fossil fuels and, as a result, anticipates a significant capital investment in order to meet BEPS under current law.

Additional Information

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

Designated Cross File: HB 1414 (Delegate Hartman, *et al.*) - Environment and Transportation.

Information Source(s): Anne Arundel, Baltimore, Cecil, and Frederick counties; Maryland Association of Counties; Maryland Department of Emergency Management; City of Frederick; Maryland Municipal League; Maryland Department of the Environment; Department of Human Services; Maryland Department of Labor; Department of Public Safety and Correctional Services; Public Service Commission; Department of Legislative Services

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