Larry Hogan
Governor

Boyd K. Rutherford
Lt Governor

Maryland
DEPARTMENT OF GENERAL SERVICES

Ellington E. Churchill, Jr.
Secretary

Nelson E. Reichart
Deputy Secretary

OFFICE OF THE SECRETARY

BILL: **Senate Bill 414** - Climate Solutions Now Act of 2021

COMMITTEE: Senate Education, Health and Environmental Affairs

DATE: January 28, 2021

POSITION: Letter of Information

Upon review of Senate Bill 414 – Climate Solutions Now Act of 2021, the Department of General Services (DGS) provides these comments for your consideration.

The bill's impacts on DGS Capital Construction and Energy Projects:

- Public Safety Article §12-511 is changed to require any new buildings over 20,000 square feet of roof to be "solar ready". DGS anticipates the costs of new **capital design and construction projects to increase by .7%** to accommodate this requirement. **Installing the solar panels themselves would require an additional $5.25 per square foot.**

- Changes under Public Safety Article §12-511 also increase energy efficiency requirements in state building codes that exceed the 2018 International Conservation Code by increasing amounts starting with 30% in 2024 and increasing to net zero after 2033. Increasing the requirements in the energy code will increase construction costs of new and renovated buildings. Current energy codes are reviewed by the US Department of Energy to ensure that additional code requirements are cost-effective, in that the energy savings attributable to the new standard pays for itself, **but the requirement in this bill calls for no such review process**.

- State Finance & Procurement Article §3-602.1 is changed to require zero energy or net zero energy be applied to facilities with over 25% of the cost coming from State capital funds and if the building is 7,500 square feet or larger. Total **capital costs are anticipated to increase by 22%** for design and construction of new and major renovation projects.

- The above would positively impact the energy consumption of State Facilities and assist the State in meeting the Executive Order for State energy reduction. Operationally, if solar systems are added to a facility that generates energy greater than the need of the facility the solar is attached to, the DGS Energy Office may need additional resources to tie the increased generation into the State's renewable energy portfolio and use the excess on other State accounts.

301 West Preston Street
Baltimore, Maryland 21201
(410) 767-4960
FAX (410) 333-5480

Toll Free 1-800-449-4347
email: Ellington.Churchill@maryland.gov
email: Nelson.Reichart@maryland.gov
TTY users 1-800-735-2258

- In addition to the first costs associated with achieving net-zero schools and facilities, State Finance & Procurement Article § 3-602.1, 4-809(7) would require the Maryland Green Building Council to "develop guidelines for evaluating the energy balance and achieving a net zero energy balance". Development of guidelines, and compliance with them, would require a continuous and ongoing effort by DGS support staff and the Maryland Green Building Council.

- Training will be needed for State project managers and design review staff to understand Net Zero requirements. This will increase their ability to ensure these projects are programmed, designed and constructed to meet these requirements. Training is estimated at $40,000 per year and on-going to ensure staff can remain updated in codes and technologies.

- For DGS to perform evaluations to ensure compliance with the Public Safety Article §12-513(B)(1) "...regulations shall require energy models for new construction to evaluate life cycle costs for (1) "a mixed-fuel option, including a combination of combustion-and electric-powered equipment." and (2) "require all reasonably foreseeable future costs….." the design efforts of architect and engineering consultants providing services will be increased and the efforts of design reviewers will be increased. Additionally, costs for training of DGS staff to enable capable performance of such life cycle cost analysis reviews will be required.

The bill's impacts on <u>DGS Fleet and Fuel Management</u>:

- The Bill requires 100% of the State Fleet of light duty vehicles be zero-emission by 2030. DGS currently has 74 light duty fleet vehicles, none of which are zero emission. This would require replacement of all vehicles. DGS understands the **cost difference to be $10,604 between a traditional internal combustion vehicle and a fully electric vehicle** on a State contract. DGS's fleet is not scheduled nor budgeted for replacement. DGS will also need charging infrastructure in place to support an electric fleet, so there will be costs to procure and install charging stations.

- DGS has a fleet that includes sedans, SUVs, and police vehicles. Currently, the impact to expenditures can only be calculated for the replacement of sedans, since there are no existing replacement options for SUVs or police vehicles, and, therefore, costs cannot be estimated. DGS has 34 sedans in its fleet. The total cost impact of replacing those sedans with ZEVs **will be $226,219 more than if they were replaced with conventional non-ZEV sedans**. **The cost of infrastructure to support the incoming ZEV is estimated to be $72,500. Balanced with savings from fuel use reduction and decreased maintenance costs (for a savings of $69,391) the net impact on fleet related expenditures will be $229,327 through FY2026.**

- Offsetting some of the costs of transitioning to EVs is an expected reduction in per vehicle annual fuel and maintenance costs of $2,805. The annual expected increase in vehicle costs would be $54,973.

- DGS is leading a State-wide coordinated effort to identify Electric Infrastructure needs and ensure adequate infrastructure is in place to meet existing climate and transportation goals. DGS currently works cooperatively with stakeholders at MDOT, DBM, MEA, MDE, and others to ensure a coordinated approach to installing infrastructure at State facilities. Replacing all light-duty vehicles with ZEV would be an ambitious first step and would be in line with our current goals. **It is difficult to require all vehicles be ZEV, with no language for waivers, when there are usage cases that will not align with having ZEV or for which no option exists on the market.**

- Transitioning all State light-duty fleet vehicles to ZEV will have an impact on the Statewide Fuel Program and its revenues which are collected on the sales of fuel at State fueling stations. The program generates approximately $800,000 in revenue per year, from the sales of fuels. Revenues will be impacted by fewer vehicles requiring fuel. Depending on the roll out of replacement vehicles across the State, **DGS could lose approximately $735,000 in revenue or more by FY26**.

- The above referenced revenue is used for the agency division's operating expenses and will need to be absorbed elsewhere in the budget so that the fuel stations may remain fully functional until the entire fleet is electrified—something that may take many years. It is possible that there may be an opportunity to collect revenue through DGS owned Electric Vehicle charging stations in the future to offset some of the lost revenue.

- DGS notes that further than the 6-year scope of this fiscal note, there will be significant costs incurred for the decommissioning of the State's 120+ fueling sites. DGS will decommission all non-MDOT owned sites, which are expected to cost **$250,000 per site**. MDOT should be queried on the decommissioning and funding of MDOT-owned refueling sites as they relate to this bill.

The bill's impacts on DGS's Capital Grants and Loans Program:

- State Finance & Procurement Article §3-602.1 changed from facilities with 100% state funding to facilities with 25% or more in State capital funds. Currently, the State's Capital Grants program is excluded. **This change would include capital grants and increase the cost of grantee's projects.** Many grantees are small entities; this requirement may be difficult for grantees to meet.

- In order to ensure that Capital Projects funded through the Capital Grants Program meet the criteria and standards established under the High-Performance Green Building Program the Capital Grants & Loans Office would need to add a minimum of **three Compliance Officers at $60,000 each for a total fiscal impact of $120,000.**

The bill's impacts on DGS's Office of State Procurement:

- Senate Bill 414 requires reporting from the Chief Procurement Officer (CPO) at DGS. In order to complete the reporting requirements, the State's eProcurement system (eMaryland Marketplace Advantage – eMMA) would need to have a query developed to fulfill this requirement. Senate Bill 414 would require collaboration between DGS and the DBM Fleet Management division on the total number of vehicles within the State's Fleet. The State would also need a **fleet asset management system and personnel** to track and report on this data as neither DGS or DBM has this technology and currently tracks its fleet manually.

- State Finance and Procurement Article § 14-417 of Senate Bill 414 requires reporting from the Chief Procurement Officer (CPO) at DGS on all agency purchases of vehicles. Currently, **DGS does not track the State's fleet, as these duties fall to the Department of Budget and Management (DBM)**. DBM is responsible for managing the State's fleet and establishing the annual fleet specifications and requirements that are approved by the BPW. **It would be appropriate for this reporting requirement to be the responsibility of DBM with support from the CPO** to provide purchase data from procurements for light-duty vehicles conducted during the previous fiscal year. The CPO in coordination with DBM Fleet Management would establish the "light duty vehicle" specifications for procurements and ensure all purchases were in accordance with the specifications and tracked within the State's eProcurement system, eMaryland Marketplace Advantage (eMMA), to obtain the annual purchase data. DGS would require personnel to gather and compile the purchasing data from eMMA for the annual report.

For additional information, contact Ellen Robertson at 410-260-2908.