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DEPARTMENT OF GENERAL SERVICES

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OFFICE OF THE SECRETARY

BILL: **Senate Bill 528** - Climate Solutions Now Act of 2022

COMMITTEE: Education, Health, and Environmental Affairs; and Budget and Taxation

DATE: February 15, 2022

POSITION: Letter of Information

Upon review of Senate Bill 528 - Climate Solutions Now Act of 2022, the Department of General Services (DGS) provides these comments for your consideration.

The bill's impacts on <u>DGS Design, Capital Construction, and Energy Projects</u>:

- Environment Article § 2-1201 and Environment Article § 2-1204.1 to Environment Article § 2-1204.2; require the State to achieve Net-Zero Statewide Greenhouse Gas Emissions by 2045, and to reduce statewide greenhouse gas emissions by 60% from 2006 levels by 2030. There are multiple strategies that DCE can use when designing projects to help achieve this ambitious goal. These include, but are not limited to material sourcing, energy efficient designs and controls, landscape design, passive (solar) heating and cooling, and considerations for sustainable transit infrastructure.

- Environment Article § 2-1305 in paragraph (D) of this section has each agency take greenhouse gas emissions and global warming into consideration when developing long term plans and policy development. This will require DGS performance of additional analysis for each agency's long range master plans and individual facility projects.

- Public Safety Article § 12-503 is amended for the State to adopt a requirement by January 1, 2030, that new buildings meet all water and space heating demands without the use of fossil fuels. To comply new buildings would be designed and constructed with all electric systems. Additionally, any new buildings over 20,000 square feet of roof are required to be "solar ready". DGS anticipates the costs of new **capital design and construction projects to increase by an estimated 0.5%-0.8%** to meet this requirement; s**olar panel installation would require an additional $5.25 per square foot.**

- State Finance and Procurement Article § 4-810 paragraph (B) requires that DGS procure a **minimum of 75%** of its electricity from low-carbon renewable energy sources by FY30.This is **25% more than the 2030 Renewable Portfolio Standard (RPS) requirements**. Depending on the build-out of renewable energy systems within the grid interconnection and the cost of

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RPS compliance, this will likely **increase the cost of electricity between 10% to 50%**. DGS will also need three additional staff to support the increased purchase of renewable energy.

- State Finance & Procurement Article § 3-602.1 adds additional requirements for green building code compliance with the High Performance Green Building Program. To comply with the program's 50% requirement will mean additional costs and complexities for each DGS project. The role of the Maryland Green Building Council's is expanded under this article and Education § 5–312, to ensure buildings meet these requirements. The Council currently operates with two part time staff. To ensure compliance with the High Performance Green Building Program, a process whereby projects would be submitted to the GBC for review, analysis and approval or rejection. This process would require a team of staff members to ensure projects are properly managed, conducted, and compliance standards are met.

- Currently no electric equipment exists, other than resistance heating units, to replace large fossil-fueled boilers. Replacing a fossil-fueled boiler with an electric resistance boiler would require additional electrical infrastructure to meet the higher demand and would lead to significantly higher operating costs. **Upfront capital costs to upgrade the electrical service would be significant.** Alternatively, a fossil-fueled boiler could be replaced with a more efficient electrical system, but the HVAC heat distribution component may also need to be replaced. **However, the building would need to be vacant of occupants during this replacement, which would create another significant capital cost.** Alternatively, continuing the current telework policy and engaging in additional energy efficiency projects in existing buildings will reduce the energy use, and consequently, the GHG emissions of State operations, which will help to reach the goal of the Bill at no cost, or at a capital cost that will be recovered through reduced energy expenses**.**

The bill's impacts on DGS Fleet and Fuel Management:

- The Bill requires 100% of the State Fleet of light duty vehicles purchased be zero-emission by FY27. DGS currently has 77 light duty fleet vehicles, which would be replaced by ZEVs. 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.

- The estimated impact to expenditures includes the replacement of the DGS fleet includes sedans, SUVs, and minivans; but excludes police vehicles. **The cost to transition these non-police vehicles in the fleet to EVs would cost an estimated $500, 982 from FY23 through FY31.** This includes the cost differential to transition minus the savings associated with no fueling costs and less maintenance.

- 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. **The cost to support the incoming ZEVs at State Agencies at a 2:1 ratio is estimated to be $2,000,000 per year, including charging equipment, construction, a 2-year equipment warranty, and 5 years' networked data and maintenance.** This will also **require DGS to hire six (6) new personnel to complete projects within this timeline**.

- DGS Inventory Standards and Support Services Division (ISSSD) manages the Statewide Fuel Program. 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 fuel. Revenues will be impacted by fewer vehicles requiring fuel. Depending on the roll out of replacement vehicles across the State, **DGS could lose $1.7 million in revenue 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**.

The bill's impacts on <u>DGS's Capital Grants and Loans Program</u>:

- 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, nonprofits 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 (3) Compliance Officers at $60,000 each for an annual total of $120,000.**

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

- State Finance and Procurement Article § 14-417 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.