HOUSE BILL REPORT
E2SSB 5560

As Reported by House Committee On:
Ecology & Parks

Title: An act relating to state agency climate leadership.

Brief Description: Regarding state agency climate leadership.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Ranker, Swecker, Brown, Hargrove, Pridemore, Marr, Kilmer, Rockefeller, Kauffman, Haugen, Eide, Hobbs, Kohl-Welles, Jarrett, Fraser, Jacobsen and Murray).

Brief History:
Committee Activity:
Ecology & Parks: 3/20/09, 3/24/09 [DPA].

Brief Summary of Engrossed Second Substitute Bill
(As Amended by House)

- Requires all state agencies to meet statewide greenhouse gas emission reduction limits.
- Requires all state agencies to report their estimated greenhouse gas emissions and the strategies taken to reduce their greenhouse gas emissions.
- Requires the Governor to designate a person as the single point of accountability for all energy and climate change initiatives within state agencies.
- Requires the state agencies to develop strategies to reduce fuel consumption and emissions from all classes of vehicles.
- Requires each state-owned facility greater than 10,000 square feet to conduct an investment grade energy audit of that facility by December 1, 2013.
- Prohibits state agencies from entering into lease agreements for privately owned buildings greater than 10,000 square feet if the building has not had an energy audit within the past five years or the lessor does not agree to conduct an energy audit on the building within the first five years of the lease.
- Requires all state agencies to consider, before distributing capital funds, whether the receiving entity has adopted policies to reduce greenhouse gas emissions.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON ECOLOGY & PARKS

Majority Report: Do pass as amended. Signed by 8 members: Representatives Upthegrove, Chair; Chase, Dickerson, Dunshee, Eddy, Finn, Hudgins and Morris.

Minority Report: Do not pass. Signed by 5 members: Representatives Short, Ranking Minority Member; Kretz, Kristiansen, Orcutt and Shea.

Staff: Jaclyn Ford (786-7339)

Background:

Greenhouse Gas Emissions Reductions.
Washington is required to meet the following statewide greenhouse gas (GHG) emission reductions:

- by 2020 reduce overall GHG emissions in the state to 1990 levels;
- by 2035 reduce overall GHG emissions in the state to 25 percent below 1990 levels; and
- by 2050 reduce overall GHG emissions in the state to 50 percent below 1990 levels, or 70 percent below the state's expected GHG emissions that year.

Reporting.
Owners or operators of a fleet of on-road motor vehicles that emit at least 2,500 metric tons of direct GHG emissions annually in the state, and a source or combination of sources that emit at least 10,000 metric tons of direct GHG emissions annually in the state, must report their total annual GHG emissions beginning in 2010 for their 2009 emissions.

Energy Audits.
Municipalities and the Department of General Administration (GA) use energy saving performance contracting to identify and implement cost-effective conservation improvements in public buildings. In this process, a municipality or the GA may hire a company to conduct an energy audit, complete the design work, provide financing, and serve as the general contractor to install any energy efficiency measures. Payments to the company are conditioned on energy cost savings.

Summary of Amended Bill:

State Agency Emission Reductions.
All state agencies must meet the following statewide GHG emission reduction limits:

- by July 1, 2020, reduce GHG emissions by 15 percent from 2005 emission levels;
- by 2035, reduce GHG emissions to 36 percent below 2005 levels; and
- by 2050, reduce GHG emissions to 57.5 percent below 2005 levels, or 70 percent below the expected state government GHG emissions that year.

By June 30, 2010, all state agencies must report their estimated GHG emissions for 2005 to the Department of Ecology (DOE), including their 2009 levels of GHG emissions and projected GHG emissions through 2035. State agencies may use data such as building space occupied, electricity usage, motor vehicle fuel purchased, and miles driven to develop the estimates.

By June 30, 2011, each state agency must submit to the DOE a strategy to meet the required GHG emissions reductions. The strategy must address employee travel activities, teleconferencing alternatives, and include existing and proposed actions, a timeline for reductions, and recommendations for budgetary and other incentives to reduce GHG emissions.

By October 1 of each even-numbered year beginning in 2012, each state agency must report to the DOE the actions taken to meet the GHG emission reduction targets under the strategy for the preceding fiscal biennium. The DOE must cooperate with the GA and the Department of Community, Trade and Economic Development to develop consolidated reporting methodologies that incorporate GHG emission reduction actions taken across state agencies.

Beginning in 2010, and every two years thereafter, the DOE must report to the Governor and to the Legislature the total state agencies' GHG emissions for the preceding two years and the actions taken to meet the GHG emissions reduction targets.

<u>Accountability</u>.
The Governor must designate a person as the single point of accountability for all energy and climate change initiatives within state agencies. All agencies, councils, or work groups with energy or climate change initiatives must coordinate with this designee.

<u>Fuel Economy Standards</u>.
The Director of the GA, in consultation with the Office of Financial Management (OFM) and other state agencies, must develop strategies to reduce fuel consumption and emissions from all classes of vehicles. State agencies must use these strategies to:

- phase in fuel economy standards for motor pools and leased vehicles to achieve an average fuel economy standard of 36 miles per gallon for passenger vehicle fleets by 2015;
- achieve an average fuel economy of 40 miles per gallon for light duty passenger vehicles purchased after June 15, 2010; and
- achieve an average fuel economy standard of 27 miles per gallon for light duty vans and sport utility vehicles purchased after June 15, 2010.

Beginning October 31, 2011, state agencies must report annually on their progress toward meeting their strategies to reduce fuel consumption.

The GA, in consultation with the OFM and other state agencies, must develop a separate fleet fuel economy standard for all other classes of vehicles and report the progress made toward meeting the fuel consumption and emissions goals to the Governor and Legislature by December 1, 2012.

Average fuel economy calculations must be based upon the current U.S. Environmental Protection Agency composite city and highway mile per gallon rating.

Vehicles excluded from the agency fleet average fuel economy calculation include: emergency response vehicles, passenger vans with a gross vehicle weight of 8,500 pounds or greater, vehicles that are purchased for off-pavement use, and vehicles that are driven less than 2,000 miles per year.

Energy Audits.
For each state-owned facility greater than 10,000 square feet that has not had an energy audit completed in the past five years, the Director of the GA or the agency responsible for the facility must conduct an investment grade energy audit of that facility. The Director of the GA must develop a schedule for conducting and completing state agency energy audits. All energy audits must be completed by December 1, 2013. The Director of the GA must develop procedures to ensure that consistent methods for energy benchmarks are used when conducting energy audits. Installation of cost-effective energy conservation measures recommended in the investment grade audit must be completed no later than June 30, 2016.

The Director of the GA must report to the Governor and the Legislature on the progress of energy audits, development of energy benchmarks, and energy efficiency measures planned for installation during the ensuing biennium. A preliminary report must be submitted by December 31, 2014, and a final report is due by December 31, 2016.

State agencies must complete an energy audit prior to or as part of a request for state funds on any energy efficiency project for an agency-owned or leased facility.

The OFM must require state agencies to perform energy audits. To the extent possible through the budget process, state agencies implementing energy conservation measures may retain the resulting cost savings for other purposes, including further energy conservation.

The Director of the OFM must ensure state agencies enter into lease agreements for privately owned buildings greater than 10,000 square feet only if: (1) the lessor has had an investment grade energy audit completed on the building in the past five years and has installed the cost-effective energy conservation measures recommended by the audit; or (2) the lessor agrees to complete an investment grade energy audit on the building and install the cost-effective energy conservation measures recommended by the audit within the first five years of the lease.

Funding.
Beginning in 2010, when distributing capital funds, all state agencies must consider whether the entity receiving the funds has adopted policies to reduce GHG emissions. Agencies also must consider whether the project is consistent with:
- the state's limits on GHG emissions;
- statewide goals to reduce annual per capita vehicle miles traveled by 2050, except that the agency must consider whether project locations in rural counties will maximize the reduction of vehicle miles traveled; and
- applicable federal emissions reduction requirements.

This act shall be in effect only to the extent that funds are specifically appropriated for the purposes of this act.

Amended Bill Compared to Original Bill:

The amended bill:

- removes the requirements for state agencies to reduce emissions to 25 percent below 2005 levels by 2035 and to the greater of 50 percent below 2005 levels or 70 percent below the expected state government emissions that year by 2050 and inserts the requirement for state agencies to reduce emissions to 36 percent below 2005 levels by 2035 and to 57.5 percent below 2005 levels or 70 percent below the state government's expected emissions that year by 2050;
- requires the Director of the OFM to require that state agencies enter into lease agreements for privately owned buildings greater than 10,000 square feet only if: (1) the lessor has had an investment grade energy audit completed on the building in the past five years and has installed the cost-effective energy conservation measures recommended by the audit; or (2) the lessor agrees to complete an investment grade energy audit on the building and install the cost-effective energy conservation measures recommended by the audit within the first five years of the lease;
- requires all state agencies, beginning in 2010, to consider when distributing capital funds whether the entity receiving the funds has adopted policies to reduce GHG emissions. Agencies also must consider whether the project is consistent with the state's limits on GHG emissions, statewide goals to reduce annual per capita vehicle miles traveled by 2050, and applicable federal emissions reduction requirements;
- directs the Governor to designate a person as the single point of accountability for all energy and climate change initiatives within state agencies and requires all agencies, councils, or work groups with energy or climate change initiatives to coordinate with this designee; and
- requires the GA, in consultation with the OFM, to develop strategies to reduce fuel consumption and emissions from all classes of vehicles and report annually on the progress made to achieve these goals beginning October 31, 2011.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The state must lead by example. This bill puts forth a plan of action for state agencies. This bill makes quite a dent on what Washington can accomplish on energy efficiency. The state should prove that Washington can attain reductions in GHG emissions. There are great economic and social benefits for implementing this bill.

(In support with amendments) Fifteen percent reductions in GHG emissions is approximately 1990 levels. There could be some changes to the miles per gallon language to help clarify which targets each class of vehicles should attain.

(Neutral) This bill will not require leased buildings to conduct energy audits.

(Opposed) None.

Persons Testifying: (In support) Senator Ranker, prime sponsor; Bill Robinson, The Nature Conservancy; and Heath Packard, Department of Natural Resources.

(In support with amendments) Kathleen Drew, Office of the Governor.

(Neutral) Stuart Simpson, Department of General Administration.

Persons Signed In To Testify But Not Testifying: Craig Partridge, Department of Natural Resources.