

# HOUSE BILL REPORT

## 2SHB 1433

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**As Passed House:**

March 1, 2023

**Title:** An act relating to energy labeling of residential buildings.

**Brief Description:** Concerning energy labeling of residential buildings.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Duerr, Ramel, Fitzgibbon, Berry, Reed and Doglio).

**Brief History:**

**Committee Activity:**

Environment & Energy: 1/24/23, 2/2/23 [DPS];

Appropriations: 2/13/23, 2/21/23 [DP2S(w/o sub ENVI)].

**Floor Activity:**

Passed House: 3/1/23, 57-39.

**Brief Summary of Second Substitute Bill**

- Directs the Department of Commerce to adopt by rule the asset-based Home Energy Score developed by the United States Department of Energy as the primary home energy performance scoring system by which a person may evaluate the energy efficiency and relative greenhouse gas emissions of a building.
- Directs the Department of Licensing to adopt rules and implement a program for the licensing of home energy assessors.
- Prohibits, beginning March 1, 2026, a person from engaging in, conducting business as, advertising as, or holding himself or herself out as a home energy assessor without first obtaining a license.

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**HOUSE COMMITTEE ON ENVIRONMENT & ENERGY**

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

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Doglio, Chair; Mena, Vice Chair; Berry, Duerr, Fey, Lekanoff, Ramel, Slatter and Street.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Dye, Ranking Minority Member; Ybarra, Assistant Ranking Minority Member; Abbarno, Barnard, Couture and Goehner.

**Staff:** Robert Hatfield (786-7117).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Environment & Energy. Signed by 19 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Berg, Chopp, Davis, Fitzgibbon, Hansen, Lekanoff, Pollet, Riccelli, Ryu, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

**Minority Report:** Do not pass. Signed by 12 members: Representatives Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Chandler, Connors, Couture, Dye, Harris, Rude, Sandlin, Schmick and Steele.

**Staff:** Emily Stephens (786-7157).

### **Background:**

#### United States Department of Energy Home Energy Score.

The Home Energy Score was developed by the United States Department of Energy to provide home owners, buyers, and renters directly comparable and credible information about a home's energy use. The Home Energy Score report estimates home energy use, associated costs, and provides energy solutions to cost-effectively improve the home's efficiency.

#### Department of Licensing.

The Department of Licensing (DOL) regulates a number of businesses and professions. The DOL issues licenses and ensures compliance with professional standards and laws.

#### Home Inspector Advisory Licensing Board.

Home inspectors must be licensed under the rules adopted by the Home Inspector Advisory Licensing Board, a seven-member board appointed by the Director of the DOL that develops standards of professional conduct, practice, and ethics for licensed home inspectors.

### Business and Professions Account.

The Business and Professions Account (Account) is held in the State Treasury. All receipts from business or professional licenses, registrations, certifications, renewals, examinations, or civil penalties assessed and collected by the DOL in conjunction with the licensing of certain specified professions must be deposited into the Account. Expenditures from the Account may be used only for expenses incurred in carrying out these business and professions licensing activities of the DOL.

### Uniform Regulation of Business and Professions Act.

The Uniform Regulation of Business and Professions Act governs the licensure and discipline of certain business professions licensed by the DOL and consolidates disciplinary procedures for those businesses and professions.

### **Summary of Second Substitute Bill:**

#### Asset-Based Home Energy Score.

By June 30, 2024, the Department of Commerce (Commerce) must adopt by rule the asset-based Home Energy Score developed by the United States Department of Energy as the primary home energy performance scoring system by which a person may assign a residential building a score for the purpose of evaluating the energy efficiency and relative greenhouse gas emissions of the building.

Rules adopted by Commerce must include specified elements for labeling graphics and information for a Home Energy Score, including, among others:

- current Home Energy Score, on a relative scale of 1 to 10, with 10 being best;
- the amount of energy use per year by fuel type;
- the annual cost of energy, in dollars, by fuel type and total cost;
- recommendations for improving energy savings;
- an itemized estimated energy savings, in dollars per year, after itemized recommended priority improvements are completed; and
- a statement indicating that the report meets state standards for Home Energy Score assessments.

Rules adopted by Commerce may not allow for reporting of individual addresses of residential structures or the names of individual homeowners, but they may allow for the reporting of information regarding the jurisdiction in which a residential structure is located and the utility services provided to the residential structure, any specific energy efficiency features of the residential structure, and other information that allows Commerce to make an aggregated evaluation of energy savings attributable to energy efficiency.

Cities and counties, either by themselves or in partnership with other cities and counties, may promote or administer home energy score programs.

#### Licensing of Home Energy Assessors.

The Department of Licensing (DOL), in cooperation with Commerce, must, by June 30, 2025, adopt rules and establish procedures for the licensing of home energy assessors that will be conducting home energy assessments.

The Director of the DOL must begin issuing licenses for home energy assessors on July 1, 2025. Beginning March 1, 2026, a person may not engage in, conduct business, advertise, or hold himself or herself out as engaging in or conducting the business of or acting in the capacity of a home energy assessor within the state without first obtaining a license.

A person licensed as a home energy assessor is responsible for assigning a Home Energy Score using the home energy performance score system adopted by Commerce. The assessment must include all work needed to assign a Home Energy Score. The Home Inspector Advisory Licensing Board (Board) must establish any standards of practice necessary to be used as the minimum standards for an assessment.

In administering the home energy assessor licensing program, the Director of the DOL must:

- adopt, amend, and rescind rules approved by the Board as deemed necessary to carry out the home energy assessor licensing program;
- recognize training prepared by other entities as approved by the Board;
- adopt standards of professional conduct, practice, and ethics as approved by the Board; and
- adopt fees to cover the cost of administering the home energy assessor licensing program.

In administering the home energy assessor licensing program, the Board must:

- establish the minimum qualifications for licensing applicants for licensure as a home energy assessor;
- approve the method of training required by the home energy assessor licensing program;
- approve the training prepared by other entities for adoption by the Director of the DOL; and
- establish and review standards of professional conduct, practice, and ethics for adoption by the Director of the DOL.

In order to become licensed as a home energy assessor, an applicant must submit the following to the DOL:

- an application on a form developed by the DOL;
- proof of training as approved by the Board; and
- the fee in the amount set by the DOL.

Licenses issued under the home energy assessor licensing program are valid for a period of two years and expire on the applicant's second birthday following issuance of the license.

The term "licensed home energy assessor" and the license number of the assessor must appear on all advertising, correspondence, and documents incidental to a home energy assessor. However, businesses and organizations that conduct national or interstate general marketing and advertising campaigns may omit the license number of the assessor in advertising as long as it is included on all documents incidental to a home energy assessment.

A licensed home energy assessor must provide a written report of the home energy assessment to each person for whom the assessor performs a home inspection within a time period set by the Board by rule. The issues to be addressed in the report must be set by the Board by rule in consideration of the home energy performance score system adopted by Commerce.

All fees collected under the licensing program, as well as fines and penalties collected or assessed for regulatory actions taken by the DOL, must be deposited into the Business and Professions Account.

The Uniform Regulation of Business and Professions Act governs unlicensed practice, the issuance and denial of licenses, and the discipline of licensees under the home energy assessor licensing program.

Persons licensed as home energy assessors in other states may become licensed as home energy assessors under the home energy assessor licensing program if the other state has licensing requirements that meet or exceed those required under the Washington home energy assessor licensing program.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony (Environment & Energy):**

(In support) The benefits of miles-per-gallon (MPG) ratings for cars and energy ratings for appliances are well recognized. Home Energy Scores serve as an MPG rating for houses. Home Energy Scores are asset-based; they are based on the nature of the house, rather than how many people live in the house or what temperature they set their thermostat at. In one state, assessment takes around an hour and costs about \$200.

People sometimes ask how to decarbonize their homes. Many homes waste energy. Many homeowners do not realize this. Many homeowners do not have a ready way to compare the energy consumption budget of different homes. A home energy assessor program helps to build public awareness and to educate homeowners. It will reduce greenhouse gas

(GHG) emissions and reduce energy bills.

GHG emissions from buildings are a major concern. One analysis shows that almost 25 percent of total GHG emissions come from residential buildings. Most residential construction in one city took place before 1986, the year that building codes were significantly upgraded for energy efficiency. Cities could choose to require energy labeling at time of sale.

(Opposed) Concerns on this bill include the creation of a licensing requirement and the possible mandate that cities could impose to require the use of energy scores. There is concern about a requirement that a homeowner would have to hire a private energy assessor to be able to access funds from the state for energy upgrades. There is also concern about the prospect of a state database of homes and their energy efficiency.

**Staff Summary of Public Testimony (Appropriations):**

(In support) Buildings have a large effect on climate change. The bill would add labeling related to energy efficiency as well as greenhouse gas emissions. The bill does not require the use of labeling statewide, but permits local governments to make it mandatory if they choose. Several Oregon cities now require home labeling at the time of a sale, and realtors consider it a way to better inform home buyers. Utilities do not offer in-home consultation for these services. Local governments are searching for ways to meet greenhouse gas emissions targets. Knowing which homes are most energy efficient helps everyone, especially those on a tight budget.

(Opposed) None.

**Persons Testifying (Environment & Energy):** (In support) Representative Davina Duerr, prime sponsor; and David Godfrey, Court Olson, and David Russell, People for Climate Action.

(Opposed) Peter Godlewski, Association of Washington Business; and Bill Clarke, Washington Realtors.

**Persons Testifying (Appropriations):** Court Olson, Optimum Building Consultants, Limited Liability Corporation; and David Godfrey, People for Climate Action.

**Persons Signed In To Testify But Not Testifying (Environment & Energy):** None.

**Persons Signed In To Testify But Not Testifying (Appropriations):** None.