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## Environment & Energy Committee

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### HB 1715

**Brief Description:** Regarding the costs of compliance with the state energy performance standard.

**Sponsors:** Representative Dye.

**Brief Summary of Bill**

- Directs the Joint Legislative Audit and Review Committee to report to the Legislature on the costs of implementing the State Energy Performance Standard for state and local agencies along with related building information, with an interim report due December 1, 2027, and a final report due December 1, 2030.

**Hearing Date:** 2/17/25

**Staff:** Megan McPhaden (786-7114).

**Background:**

State Energy Performance Standard.

The State Energy Performance Standard (the Standard) requires the Department of Commerce (Commerce) to establish rules for energy performance standards for covered commercial buildings, to collect data on compliance, and to report on outcomes. The Standard seeks to maximize reductions in greenhouse gas emissions (GHGs) from the building sector. The Standard includes energy use intensity targets by building type, as well as requirements for an energy management plan, operations and maintenance program, energy efficiency audits, and investments in energy efficiency measures.

The Standard applies to two categories of buildings:

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- Tier 1 covered commercial buildings are buildings where the sum of nonresidential, hotel, motel, and dormitory floor areas exceed 50,000 square feet, excluding the parking garage area.
- Tier 2 covered buildings are commercial buildings greater than 20,000 square feet but less than 50,000 square feet, and multifamily residential buildings greater than 20,000 square feet.

All elements of the Standard apply to Tier 1 buildings. Tier 2 buildings are responsible for the energy management and benchmark requirements; they are not responsible for complying with the energy use intensity targets.

Required compliance dates are phased in, with the largest Tier 1 buildings needing to report on compliance by June 2026, and all Tier 1 buildings needing to report on compliance by June 2028. Tier 2 buildings must report on compliance to Commerce beginning in July 2027.

Commerce may certify incentive payments for building owners who comply with the standard early. Utilities administer the incentive payments and are allowed a public utility tax credit equal to the incentive payments and some administrative costs.

Early adoption incentive payments are capped at \$75 million total for Tier 1 buildings and \$150 million total for Tier 2 buildings.

Commerce may impose administrative penalties for building owners failing to submit documentation demonstrating compliance. For Tier 1 buildings, the penalty may not exceed \$5,000 plus no more than \$1 per year per gross square foot for the duration of any continuing violation. For Tier 2 buildings, the penalty may not exceed 30 cents per square foot, for failing to submit documentation demonstrating compliance with energy management and benchmarking requirements.

### **Summary of Bill:**

The Joint Legislative Audit and Review Committee (JLARC) must review and report to the Legislature on the costs to state and local agencies to comply with the Standard.

JLARC must identify:

- by covered building tier and compliance year: the number of buildings required to meet the Standard; the number and percent of buildings both in and out of compliance with the Standard; and a breakdown of which required elements are not met for buildings that are out of compliance; and
- by fiscal year:
  - fines levied against state and local agencies for noncompliance;
  - commerce oversight expenditures, beginning in fiscal year 2020; and
  - funds appropriated and awarded to state and local agencies for supporting compliance, beginning in fiscal year 2020;

The JLARC must select a sample of covered buildings owned by both state and local agencies, including buildings from the east and west sides of the state and buildings representing a broad selection of building types. For this sample, the JLARC must:

- compile state and local expenditures for compliance, beginning in fiscal year 2020;
- analyze trends of completed energy audits based on the ages of the buildings, type of building, and estimated costs of capital upgrades needed to meet compliance;
- identify public funding available to implement the required capital upgrades; and
- estimate the extent to which the Standard is achieving or will achieve the intended reduction of GHG emissions for state and local agencies.

The JLARC must submit an interim report to the Legislature that identifies data sources, the proposed approach for selecting the sample of buildings, and potential methodologies by December 1, 2027. The JLARC's final report is due to the Legislature by December 1, 2030.

**Appropriation:** None.

**Fiscal Note:** Requested on February 10, 2025.

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