

SENATE BILL REPORT

2SHB 1715

As of April 5, 2025

Title: An act relating to a review of the costs of compliance with the state energy performance standard.

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

Sponsors: House Committee on Appropriations (originally sponsored by Representative Dye).

Brief History: Passed House: 3/6/25, 97-0.

Committee Activity: Environment, Energy & Technology: 3/26/25, 4/01/25 [DP-WM].
Ways & Means: 4/05/25.

Brief Summary of Bill

- Directs the Joint Legislative Audit and Review Committee to report on the costs to state agencies to comply with the State Energy Performance Standard, by June 30, 2027.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Shewmake, Chair; Slatter, Vice Chair; Boehnke, Ranking Member; Dhingra, Harris, Liias, Lovelett, MacEwen, Ramos, Short and Wellman.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

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.

Background: State Energy Performance Standard. The State Energy Performance Standard (Standard), often referred to as the Clean Buildings Performance Standard, requires the Department of Commerce (Commerce) to establish rules for energy performance standards for covered buildings, to collect data on compliance, and report on outcomes. The Standard seeks to maximize reductions in greenhouse gas emissions from the building sector.

The Standard includes energy use intensity targets by building type. The energy use intensity targets are no greater than the average energy use intensity of a building type and must consider regional and local building energy use data. The Standard must also allow a conditional compliance method that includes investment criteria to ensure energy efficiency measures, identified through energy audits, are being implemented to meet the targets.

Commerce may impose penalties on building owners for failing to demonstrate compliance with the Standard.

Covered Buildings under the State Energy Performance Standard. There are two types of covered buildings:

- Tier 1 covered buildings include existing buildings where the sum of nonresidential, hotel, motel, and dormitory floor areas exceeds 50,000 gross square feet, excluding the parking garage area; and
- Tier 2 covered buildings include multifamily residential, nonresidential, hotel, motel, and dormitory floor areas that are greater than 20,000 square feet and less than 50,000 square feet, excluding the parking garage area. Tier 2 buildings also include multifamily residential buildings where the floor areas are equal to or greater than 50,000 square feet, excluding the parking garage area.

Tier 1 buildings must comply with the Standard, and the tiered compliance, and reporting begins June 2026 for buildings greater than 220,000 square feet.

All Tier 2 buildings must report on benchmarking, implementation of energy management plans, and operations and maintenance programs; they are not currently responsible for complying with the energy use intensity targets. Reporting for Tier 2 buildings begins by July 1, 2027.

Clean Buildings Work Group. In 2023, the Legislature directed Commerce to convene a work group to analyze the financial investments required for owners of Tier 1 buildings to comply with the Standard and to make recommendations to the Legislature to assist building owners in attaining compliance. A report issued in November 2024, provided nine recommendations organized in three categories: financial support and incentives, organizational capacity and market development, and regulatory and policy alignment.

Summary of Bill: Joint Legislative Audit and Review Committee Report. The Joint Legislative Audit and Review Committee (JLARC) must review and report on the costs to

state agencies to comply with the Standard, building off of the Clean Buildings Work Group report.

JLARC must select a sample of covered buildings owned by state agencies for its analysis. For this process JLARC must determine building type categories, which may include office buildings, higher education buildings, K-12 schools, correctional facilities, and other buildings in the state's portfolio. The sample of buildings must include buildings from the east and west side of the state and represent a broad selection of categories.

Using the sample buildings, JLARC must:

- compile state expenditures for complying with the Standard, broken out by fiscal year starting in 2020, the source of funds, the amounts spent on capital upgrades, and the amounts spent on energy management and benchmarking;
- include anticipated timelines for when capital investments will be cost-effective, estimated costs that would have been incurred in absence of a Standard, and a quantification of energy savings from the expenditures;
- estimate the number of jobs created as a result of expenditures for work on capital upgrades and energy management and benchmarking;
- analyze trends of complete energy audits based on ages of the buildings, building type, and projected costs of required capital upgrades to comply with the Standard; and
- identify sources of potential state, federal, and local funding to implement required capital upgrades.

Commerce must provide all relevant data to JLARC to complete the interim and final reports. JLARC must submit a final report to the appropriate policy and fiscal committees of the Legislature by June 30, 2027.

Appropriation: The bill contains a null and void clause requiring specific funding be provided in an omnibus appropriation act.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Environment, Energy & Technology): PRO: We imagine that the clean buildings law impacts big commercial buildings. However, many public buildings fall under the Standard. A lot of higher education buildings are Tier 1 buildings. Across the state other office space falls into the Tier 2 category. The state is going to have a big obligation and we should have a plan and have hard numbers to look at when preparing for our budget. We are very interested in any and all information that might be helpful to better inform the state's total cost to comply with the building efficiency

standards and laws. As a state entity that doesn't sell a product, we can't raise our price and we're entirely dependent upon the state's investment to reach compliance. We agree it's within the state's interest to understand the breadth of that investment, which will be required over time for us to reach compliance.

Persons Testifying (Environment, Energy & Technology): PRO: Representative Mary Dye, Prime Sponsor; Connor Haggerty, Washington State University.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology): No one.

Staff Summary of Public Testimony (Ways & Means): None.

Persons Testifying (Ways & Means): No one.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.