

SF1368 - 1E - Energy Code Adoption, New Commercial Buildings

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 Committee: **Energy, Utilities, Environment and Climate**
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 Agency: **Labor and Industry Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Construction Code	-	100	-	-	-	100
Total	-	100	-	-	-	100
Biennial Total			100			100

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Construction Code	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Construction Code	-	100	-	-	-	100
Total	-	100	-	-	-	100
	Biennial Total		100	100		100
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Construction Code	-	100	-	-	-	100
Total	-	100	-	-	-	100
	Biennial Total		100	100		100
2 - Revenues, Transfers In*						
Construction Code	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-	-		-

Bill Description

This bill amends MS 326B.106, Subdivision 1 to require the commissioner of Labor and Industry (DLI) to act on each new model commercial energy code, beginning in 2024, by adopting each new published edition of American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 90.1 or a more efficient standard and amending as necessary to systematically and incrementally move toward an 80 percent reduction in annual net energy consumption by 2036 in comparison to a 2004 baseline.

The bill also requires the commissioner to submit a report to the regulatory legislative bodies on the incremental progress of each code adoption.

Assumptions

The State of Minnesota is required by federal law to adopt the most recent commercial energy code established by the US Department of Energy (DOE) when a new code (or standard) is more energy efficient than the current state energy code. 326B.106 Subd.1 (d). The Department adopts new codes through the State’s Administrative Procedures Act. Completing this process can take a year or more.

New commercial energy codes such as ASHRAE 90.1 are published every three years.

The next ASHRAE 90.1 Standard 2022 was published on January 25, 2023.

The Minnesota State Building Code is specific to buildings themselves and not how buildings are used. The application of the energy code applies to buildings and building systems.

To achieve the target efficiency by 2036, the department will be required to adopt new editions of ASHRAE 90.1 when they become available and amend them as necessary to ensure target increments are met. These new editions would be adopted through the State’s Administrative Procedures Act (APA): 2025, 2028, 2031, and 2034. Regardless of whether this bill passes or not, DLI already engages in rulemaking every three years to update code. Therefore, no costs are shown in this fiscal note for rulemaking.

The department will need to ensure that each adopted edition of ASHRAE 90.1 will achieve an incremental increase in efficiency over the previous edition sufficient to meeting the 2036 goal.

Due to the complexity of the subject matter, DLI will need to hire a consultant to assist in conducting a market capacity analysis and cost analysis. These are required to complete the adoption process in accordance with the APA. DLI

estimates the cost of the consultant to be \$100,000 in FY2024 and FY2027.

Expenditure and/or Revenue Formula

Expenditures	2024	2025	2026	2027
Professional Consultant	100,000			100,000
Cumulative Expenditures	100,000	0	0	100,000

Long-Term Fiscal Considerations

DLI projects a cost of \$100,000 every three years beginning in fiscal year 2024 through 2035 to fund professional consultant costs necessary to determine energy efficiency performance requirements.

Local Fiscal Impact

NA

References/Sources

[Improving building energy efficiency in commercial and multi-family construction](https://dli.mn.gov/about-department/boards-and-councils/buidling-efficiency-workgroup)

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