

SF1368 - 0 - Energy Code Adoption, New Commercial Buildings

Chief Author: **Lindsey Port**  
 Committee: **Labor**  
 Date Completed: **2/23/2023 11:47:59 AM**  
 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
<b>Total</b>	-	<b>100</b>	-	-	-	<b>100</b>
<b>Biennial Total</b>			<b>100</b>			<b>100</b>

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

**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.

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

**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 achieve a minimum of eight percent energy efficiency with each edition. The amendments must achieve a net zero energy standard for new commercial buildings by 2038 and thereafter.

**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 previous edition. 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 will be applied to the building thermal envelope, space conditioning and lighting systems.

To achieve a net zero standard by 2038, the department will be required to conform to new editions of ASHRAE 90.1 when they become available. These new editions would be adopted through the State’s Administrative Procedures Act (APA): 2025, 2028, 2031, and 2034.

The department will need to ensure that each adopted edition of ASHRAE 90.1 will achieve a minimum of eight percent increase in efficiency over the previous edition to ensure progress toward the 2038 net zero 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**

<b>Expenditures</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Professional Consultant	100,000	0	0	100,000
<b>Cumulative Expenditures</b>	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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