STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2008)

See SAM Section 6601 - 6616 for Instructions and Code Citations

DEPARTMENT NAME	CONTACT PERSON	TELEPHONE NUMBER
California Energy Commission	Martha Brook	916-654-4086
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400		NOTICE FILE NUMBER
Revisions to the California Building Energy Efficiency Standards (Standards)		Z

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- [x] a. Impacts businesses and/or employees
- [x] b. Impacts small businesses
- [x] c. Impacts jobs or occupations
- [ ] d. Impacts California competitiveness
- [x] e. Imposes reporting requirements
- [ ] f. Imposes prescriptive instead of performance
- [x] g. Impacts individuals
- [ ] h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.)

h. (cont.) _____

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: 1,500 Describe the types of businesses (Include nonprofits.): Electrical contractors, mechanical contractors, mechanical engineers, and commissioning providers.

Enter the number or percentage of total businesses impacted that are small businesses: 80%

3. Enter the number of businesses that will be created: 0 eliminated: 0

Explain: The certification requirement that is the scope of this regulation does not create or eliminate businesses.

4. Indicate the geographic extent of impacts: [x] Statewide [ ] Local or regional (List areas.): _____

5. Enter the number of jobs created: _____ or eliminated: 0 Describe the types of jobs or occupations impacted: Companies that provide field verification of lighting and mechanical control systems, as required by the Standards.

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

[ ] Yes [x] No If yes, explain briefly: _____

B. ESTIMATED COSTS (Include calculations and assumptions in the rulemaking record.)

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? $ $3,750,000.

a. Initial costs for a small business: $ 500 Annual ongoing costs: $ 0 Years: 15

b. Initial costs for a typical business: $ 500 Annual ongoing costs: $ 0 Years: 15

c. Initial costs for an individual: $ 2000 Annual ongoing costs: $ 0 Years: 15

d. Describe other economic costs that may occur: For the 5-10 organizations that may provide certification, there will be annual reporting requirements to the Energy Commission. These costs are itemized in 3. below.

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2. If multiple industries are impacted, enter the share of total costs for each industry: Individuals getting certification (98%), organizations providing certification (2%)

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): $ 1,000

4. Will this regulation directly impact housing costs? ☐ Yes ☑ No If yes, enter the annual dollar cost per housing unit: _____ and the number of units: _____

5. Are there comparable Federal regulations? ☐ Yes ☑ No Explain the need for State regulation given the existence or absence of Federal regulations: Federal regulations do not apply to state, local and private construction in California.

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $ _____

C. ESTIMATED BENEFITS (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: Building owners will benefit from this regulation because they will receive high quality verifications of the energy saving features of their buildings' lighting and mechanical components.

2. Are the benefits the result of : ☑ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?

Explain: The Commission has authority granted by statute to adopt statewide building energy efficiency standards.

3. What are the total statewide benefits from this regulation over its lifetime? $ 4,000,000

D. ALTERNATIVES TO THE REGULATION (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: The only alternative that was considered is to NOT require certification of the individuals and businesses that provide field verification of lighting and mechanical systems installed in accordance with the Building Energy Efficiency Standards.

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation:	Benefit: $ 4,000,000	Cost: $ 3,750,000
Alternative 1:	Benefit: $ 0	Cost: $ 0
Alternative 2:	Benefit: $	Cost: $

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: These are the energy savings (benefits) expected for each year, throughout the life of the buildings newly constructed and altered in CA. The costs will only accrue the first year, but the energy savings benefits will be realized every year.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☑ Yes ☐ No

Explain: Performance Standards are a fundamental part of the proposed Building Energy Efficiency Standards.

E. MAJOR REGULATIONS (Include calculations and assumptions in the rulemaking record.) Cal/EPA boards, offices, and departments are subject to the following additional requirements per Health and Safety Code section 57005.

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1. Will the estimated costs of this regulation to California business enterprises exceed $10 million ? ☐ Yes ☑ No (If No, skip the rest of this section.)

2. Briefly describe each equally as an effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

   Alternative 1: _____

   Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation:	$ _____	Cost-effectiveness ratio: $ _____
Alternative 1:	$ _____	Cost-effectiveness ratio: $ _____
Alternative 2:	$ _____	Cost-effectiveness ratio: $ _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT (Indicate appropriate boxes1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

☐ 1. Additional expenditures of approximately $ _____ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:

   ☐ a. is provided in _____, Budget Act of _____ or Chapter _____, Statutes of _____

   ☐ b. will be requested in the _____ (FISCAL YEAR) Governor's Budget for appropriation in Budget Act of _____

☑ 2. Additional expenditures of approximately $ 112,500 in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:

   ☐ a. implements the Federal mandate contained in _____

   ☐ b. implements the court mandate set forth by the _____

   court in the case of _____ vs. _____

   ☐ c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____ (DATE) election;

   ☐ d. is issued only in response to a specific request from the _____

   _____, which is/are the only local entity(s) affected;

   ☐ e. will be fully financed from the _____ (FEES, REVENUE, ETC.) authorized by Section

   _____ of the _____ Code;

   ☑ f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit;

   ☐ g. creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

☑ 3. Savings of approximately $ 120,000 annually.

☐ 4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law regulations.

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☐ 5. No fiscal impact exists because this regulation does not affect any local entity or program.

☐ 6. Other.

B. FISCAL EFFECT ON STATE GOVERNMENT (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

☑ 1. Additional expenditures of approximately $ 37,500 in the current State Fiscal Year. It is anticipated that State agencies will:

☑ a. be able to absorb these additional costs within their existing budgets and resources.

☐ b. request an increase in the currently authorized budget level for the _____ fiscal year.

☑ 2. Savings of approximately $ 40,000 in the current State Fiscal Year.

☐ 3. No fiscal impact exists because this regulation does not affect any State agency or program.

☐ 4. Other.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS (Indicate appropriate boxes1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

☐ 1. Additional expenditures of approximately $ _____ in the current State Fiscal Year.

☐ 2. Savings of of approximately $ _____ in the current State Fiscal Year.

☐ 3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.

☑ 4. Other. The proposed regulations impact state-financed buildings but are not expected to impact federal funding of state programs.

FISCAL OFFICER SIGNATURE		DATE 8-24-12
AGENCY SECRETARY [1] APPROVAL/CONCURRENCE		DATE 8/28/12
DEPARTMENT OF FINANCE [2] APPROVAL/CONCURRENCE	PROGRAM BUDGET MANAGER	DATE

1. *The signature attests that the agency has completed the STD.399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or department not under an Agency Secretary must have the form signed by the highest ranking official in the organization.*

2. *Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD.399.*

ECONOMIC IMPACT STATEMENT - Explanations

A. ESTIMATED PRIVATE SECTOR COST IMPACTS

2. Number of businesses impacted.

The Energy Commission does not know how many individuals or businesses will choose to become certified for the purpose of completing the field verification tests (called "acceptance tests" in the Standards) that are required for several lighting control components and mechanical system components. The proposed regulations require a minimum of 1,000 lighting control acceptance test providers and 1,000 mechanical acceptance test providers be certified to perform these tests before the certification requirements in the Standards apply. The Energy Commission estimates that there at least 5,000 professionals qualified to be trained to complete the mechanical acceptance tests and 5,000 professionals qualified to be trained to complete the lighting controls acceptance tests. The Energy Commission was informed by interested stakeholders who participated in a public workshop on February 27, 2012 that some of the same individuals and businesses will choose to obtain certification on both sets of acceptance tests. There are also comments in the pre-rulemaking docket 10-BSTD-01 by the California Commissioning Collaborative indicating that building commissioning professionals are qualified to complete both the lighting controls and mechanical acceptance tests. Based on this information, the Energy Commission is assuming 1,500 for the number of businesses impacted by this proposed regulation in the first year of its implementation.

3. Number of businesses created or eliminated.

The Energy Commission does not believe that any businesses will be created or eliminated as a result of this regulation. The intent of this regulation is to certify the industry professionals (e.g. electrical and mechanical contractors, commissioning providers, controls installation and startup contractors) who are already completing the lighting controls and mechanical acceptance tests required by Title 24, Part 6. There are existing training organizations serving these industry professionals that will be approved by the Energy Commission to be Acceptance Testing Technician Certification Providers. The pre-rulemaking docket 10-BSTD-01 does not include any comments from entities seeking to create new businesses to provide training and certification services for Acceptance Test Technicians. This docket does, however, include comments from current training and certification entities that are interested in becoming Acceptance Testing Technician Certification Providers.

3. Number of jobs created or eliminated.

The Energy Commission does not believe that any jobs will be created or eliminated as a result of this regulation. The intent of this regulation is to certify the industry professionals already completing the lighting controls and mechanical acceptance tests required in Title 24, Part 6. The Energy Commission

believes that there will be new training curriculum developed and new training classed provided by existing training and certification organizations, but that this new activity will be accomplished with existing training and certification personnel.

B. ESTIMATED COSTS

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime?

The Energy Commission expects the costs charged to individuals and businesses for acceptance test provider certification to vary considerably, depending on which organization is offering the certification and for what purposes. For example, some organizations that provide extensive professional training to contractors for the design and installation of lighting and/or mechanical systems in nonresidential buildings may choose to integrate these new certification requirements into their existing training and certification programs. Other organizations may choose to provide training and certification specific to the requirements in these proposed regulations. Still other organizations may choose to provide certification testing without offering any training, under the assumption that most professionals providing these test services already have professional training that qualifies them to prove their competence, by way of a certification test, to provide the field verification services that are the subject of these proposed regulations. The Energy Commission has assumed a cost per certification that is commensurate with a 40-hour process of training for technicians and an 8-hour process of training for technician supervisors.

C. ESTIMATED BENEFITS

3. **What are the total statewide benefits from this regulation over its lifetime?**

The total statewide benefit listed on the Std 399 form is $4 million dollars, estimated by assuming that a small fraction (1/2 of a percent) of the total savings expected from the 2013 Standards update for nonresidential buildings are due to the proper installation of lighting and mechanical systems that are the subject of this proposed regulation for industry certification. This small fraction is derived from the expectation that:(1) at least half (50%) of the energy savings from the 2013 Standards will be from the installation of lighting controls and mechanical systems, the same systems that require verification through the acceptance testing that is the subject of these regulations, and (2) verifying that these systems are installed and operating properly will improve the realized energy efficiency of these systems by at least one percent (1%). Therefore, the overall benefit of these regulations is conservatively estimated by multiplying the total expected savings from the 2013 Standards by the product of 50% and 1%, which is ½%. The expectation that at least 50% of the energy savings from the 2013 Standards will come from the lighting controls and mechanical systems verified by the acceptance tests that are the subject of this certification rulemaking comes from

an Energy Commission staff review of the results from thousands of building energy simulations that were completed to estimate the entirety of energy savings from the 2013 Standards update for nonresidential buildings. This review found that greater than 50% of the energy savings are expected to accrue from the lighting controls and mechanical systems governed by the Standards, so the Energy Commission is using 50% as a conservative estimate.

The question specifies the "lifetime of the regulation" and these regulations are expected to have an extended lifetime. Staff considered and rejected interpreting the "regulation over its lifetime" to mean three to five years, which is the cycle of regular updates to the Standards, and instead opted to provide annual data. For mechanical and electrical equipment in nonresidential buildings, which is the subject of the field verification requirements of the proposed regulations, the life expectancy is assumed to be 15 years.

D, ALTERNATIVES TO THE REGULATION

4. Were performance standards considered to lower compliance costs?

Moreover these certification requirements ensure that the underlying building standards , which are also performance-based, are met.

FISCAL IMPACT STATEMENT - Explanations

A. FISCAL EFFECT ON LOCAL GOVERNMENT

2 and 3. Additional expenditures and savings

These expenditures and savings values were calculated based on an estimate that 3 percent of the total costs of nonresidential newly constructed buildings, additions and alterations to existing buildings, would apply to local government.

A. FISCAL EFFECT ON STATE GOVERNMENT

1 and 2. Additional expenditures and savings

These expenditures and savings values were calculated based on an estimate that 1 percent of the total costs of nonresidential newly constructed buildings, additions and alterations to existing buildings, would apply to state government.

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