

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 29, 2005

TO: Honorable Joe Nixon, Chair, House Committee on Civil Practices

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB974 by Madden (Relating to resolution of disputes arising under certain construction contracts.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would add Chapter 160 to the Civil Practice and Remedies code, relating to dispute boards under certain construction contracts between governmental agencies and a contractor for the construction, repair, or improvement of real property in which the value is at least \$1 million. The bill would authorize the creation of a dispute review board for construction contract disputes if a board does not already exist, and would also allow for a dispute adjudication board. The bill would provide that a dispute arising under a construction contract may be submitted to a dispute board if the contract includes language that reflects the intent of the parties to do so. The bill would establish criteria for the composition and duties of dispute board members.

Based on the analysis of the Texas Department of Transportation and the Texas Parks and Wildlife Department, it is assumed any duties and responsibilities associated with implementing the provisions of the bill could be absorbed within existing resources.

The bill would take effect September 1, 2005.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. The bill provides the option to local governmental entities of opting out of using a dispute resolution board on construction projects by including a provision in a contract that states that the use of dispute resolution was actively considered and rejected. If a political subdivision chose to utilize a dispute resolution board, the costs would be included as a capital expense in the construction of a project.

Source Agencies: 303 Building and Procurement Commission, 332 Department of Housing and Community Affairs, 370 Residential Construction Commission, 601 Department of Transportation, 802 Parks and Wildlife Department

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