

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

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

IN RE: SB445 by Hinojosa (Relating to design, construction, and renovation standards for state buildings and facilities.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB445, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	(\$527,715)
2011	(\$1,048,394)
2012	(\$1,175,054)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>INSTITUTIONAL FUNDS</i> 997	Probable (Cost) from <i>BOND PROCEEDS-REV</i> <i>BONDS</i> 781
2008	\$0	\$0	\$0
2009	\$0	\$0	\$0
2010	(\$527,715)	(\$1,517,352)	(\$40,789,570)
2011	(\$1,048,394)	(\$2,950,970)	(\$32,076,116)
2012	(\$1,175,054)	(\$2,881,309)	(\$36,900,000)

Fiscal Analysis

The bill would establish standards for all new construction or renovations of state owned buildings that are more than 50 percent of the value of the building, and all new construction or renovation projects funded by revenue bonds for institutions of higher education that are more than 50 percent of the value of the building. The projects would have to be designed, constructed, or renovated so that the building: achieves certification under a high-performance building standard that is developed and revised through a consensus-based process; provides minimum requirements for energy use, natural resources use, and indoor air quality; requires substantiating documentation for certification; employs third-party, post-construction review and verification for certification; and, is determined by the state energy conservation office to be nationally recognized in the building industry.

The provisions of the bill would apply only to a facility or building for which the contract for design services is entered into on or after September 1, 2009. The bill would take effect September 1, 2009.

Methodology

The effective date of the bill is September 1, 2009, so there will be no significant fiscal impact in the 2008-09 biennium.

It is assumed that the United States Green Building Council (USGBC) and the Leadership in Energy and Environmental Design (LEED) would be the certifying organizations used to certify new construction and repair and rehabilitation projects. In order for a project to be certified by LEED, each project must be registered. The cost to register is less if an organization is a member of the USGBC. The membership fee ranges from \$500 to \$1,000 and is based on population. It is assumed that the membership fee for each state agency and institution of higher education will be \$500 each. The registration fee for each new construction project is \$450 and the certification fee for each new construction project that is less than 50,000 square feet building is \$1,750 which includes design and construction review. Certification and review for an existing building less than 50,000 square feet being repaired or rehabed is estimated to be \$1,250 per project. These costs are not significant and can be absorbed with existing resources.

It is assumed that the average cost increase to construct a new building to comply with the certification established by the USGBC is three percent.

Based on historical expenditures, it is also assumed that new construction costs for state agencies will be approximately \$160,000,000 in the 2010-11 biennium. Three percent of \$160,000,000 is \$4,800,000 and would reflect the estimated cost increase to build a new building that to comply with the certification. It is also assumed that bonds will be issued for the construction of new buildings.

The cost increase of repairing or rehabilitating a building to achieve the USGBC certification is estimated to be three percent of costs. The estimated repair and rehabilitation costs for state buildings is \$840,530,286 and it is estimated that 28 percent or \$235,348,480 of these projects will fall under the provisions of the bill if passed for the 2010-11 biennium. Three percent of \$235,348,480 is \$7,060,454 and would reflect the estimated cost increase to repair or rehabilitate state buildings to comply with the certification. It is assumed that bonds will be issued for the repair or rehab of existing buildings.

It is assumed that new construction costs for institutions of higher education will be \$2 billion in the 2010-11 biennium. Three percent of \$2 billion is \$60 million and would reflect the estimated cost increase to build a new building to comply with the certification. State Costs in GR and Institutional Funds are based on debt service estimates. It is assumed that Bonds will be issued for the construction new buildings.

The estimated repair and rehabilitation costs for institutions of higher education is estimated to be \$31,442,336 and it is estimated that 28 percent or \$8,803,854 of these projects will fall under the provisions of the bill if passed in the 2010-11 biennium. Three percent of \$8,803,854 is \$264,116 and would reflect the estimated cost increase to repair or rehabilitate institution of higher education buildings to comply with the certification. It is assumed that bonds will be issued for the repair or rehab of existing buildings.

Technology

No impact to technology is anticipated from implementation of provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 332 Department of Housing and Community Affairs, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 781 Higher Education Coordinating Board, 303 Building and Procurement Commission, 405 Department of Public Safety, 529 Health and Human Services Commission, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 783 University of Houston System Administration, 802 Parks and Wildlife Department

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