

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 18, 2009

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

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

IN RE: HB431 by Lucio III (Relating to design, construction, and renovation standards for state buildings and facilities.), **As Engrossed**

No significant fiscal implication to the State is anticipated during the 2010-11 biennium. There would be costs associated with implementation of the bill beginning in fiscal year 2012.

Due to the potential for more efficient use of energy, water, and other resources, there would be an indeterminate amount of savings during the life of a high-performance building.

The bill would amend the Government Code to establish standards for all new state building construction or renovations that cost more than 50 percent of the value of state owned buildings, including education facilities other than institutions of higher education. The bill exempts the Texas Department of Criminal Justice (TDCJ) and the Texas Youth Commission (TYC.) The projects would have to be designed, constructed, or renovated so that the building:

- * achieves certification under high-performance building standards that are developed and revised through a consensus-based process;
- * provides minimum requirements for energy use, natural resource use, and indoor air quality;
- * requires substantiating documentation for certification;
- * employs third-party, post-construction review and verification for certification, or a third-party post-construction, rigorous review of documentation and verification for certification;
- * encourages the use of products manufactured in this state;
- * meets nationally recognized energy efficiency and air quality building standards or an updated version of those standards as adopted by the State Energy Conservation Office (SECO); and
- * achieves a 15 percent reduction in water use when compared to water use in accordance with the Energy Policy Act of 1992.

The bill would create an advisory committee that would, at least annually, advise the Texas Facilities Commission (TFC) in determining which high-performance building standards to approve for use. The committee would be comprised of personnel from various public and private entities. It is assumed the operation of this committee would have no significant fiscal impact to the state.

The bill would also amend the Education Code to establish standards applying to institutions of higher education (IHE) for all new building construction or renovations that cost more than 50 percent of the value of state owned buildings for which any part of the construction or renovation is financed by revenue bonds. The bill would require projects to comply with high-performance building standards approved by an IHE's board of regents. In approving high-performance building standards, a board of regents would be required to consider the high-performance standards approved by the TFC and would be authorized to solicit and consider recommendations from the TFC's advisory committee. IHEs would be required to comply with applicable energy and water conservation design standards currently established by SECO under Government Code 447.004.

Multiple IHEs indicated that their projects are currently meeting either SECO's standards, high-

performance certifications or other minimum requirements for energy use, air quality and natural resources use. Therefore this bill would not have a fiscal impact on IHEs unless an institution's board of regents decides to increase standards on certain projects to attain certifications.

Recent industry studies conclude that the additional upfront construction costs to support green design ranges from 0 to 2 percent. Several of the state agencies contacted indicated that additional upfront construction costs to support green design ranges from 0 to 8 percent. Based on this, it is assumed that the average cost increase is 2 percent.

Applying the 2 percent average cost increase to the reported cost for new construction and repair/renovation for state agencies, except for IHEs, TDCJ, and TYC, as provided by the Bond Review Board's (BRB) State of Texas Capital Expenditure Plan for Fiscal Years (FY) 2010-2011, it is estimated that additional General Revenue of approximately \$500,000 for FY2012 and \$500,000 for FY2013 and beyond would be required.

The bill would take effect September 1, 2009; however, 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, 2011. Therefore, fiscal impacts relating to construction or renovations would occur in the 2010-11 biennium.

It is assumed that a building that supports green design will have energy, water, and other savings during the life of the building.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 303 Facilities Commission, 305 General Land Office and Veterans' Land Board, 308 State Auditor's Office, 332 Department of Housing and Community Affairs, 405 Department of Public Safety, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 720 The University of Texas System Administration, 758 Texas State University System, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 802 Parks and Wildlife Department

LBB Staff: JOB, KK, SD, PJK, KJG, MM