

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 16, 2009

TO: Honorable Burt R. Solomons, Chair, House Committee on State Affairs

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

IN RE: HB431 by Lucio III (Relating to design and construction standards for newly constructed or renovated state buildings.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB431, As Introduced: a negative impact of (\$2,026,307) through the biennium ending August 31, 2011.

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

The bill would establish standards for new state building construction or renovations that are more than 50 percent of the value of state owned buildings. The bill applies to buildings larger than 10,000 square feet. The bill exempts institutions of higher education, the Texas Department of Transportation, the Parks and Wildlife Department, and other agencies per Section 2166.003, Government Code. The bill would also require the State Auditor to issue a report, not later than January 15, 2013, concerning the implementation of this bill.

The projects would have to be designed, constructed, or renovated so that the buildings may be certified under the United States Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) rating system.

The provisions of the bill would apply only to the construction or renovation of a 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.

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. For members, the design and/or construction reviews for new and existing buildings range from \$500 to \$17,500 depending on square footage. For non-members, the range is \$750 to \$22,500. These costs would be absorbed by the agency.

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

New building construction costs reported by the Texas Bond Review Board's (BRB) State of Texas Capital Expenditure Plan for Fiscal Years (FY) 2010-2011 (including supplemental information through Fiscal Year 2013) show the approximate statewide construction cost for all agencies and institutions of higher education as \$2,308,270,084 for FY2010, 2,723,220,635 for FY2011, \$2,334,952,069 for FY2012 and \$4,222,523,801 for FY2013 and beyond. Removing construction costs for the exempt agencies and institutions of higher education, assuming that 63 percent of state building square footage is in buildings of 10,000 square feet or larger (based on a state property data analysis), and applying the assumed 2 percent upfront cost increase gives these estimated costs for LEED certification for new building construction:

\$5,592,450 for FY2010;
\$5,035,346 for FY2011;
\$2,686,715 for FY2012; and
\$5,127,184 for FY2013 and beyond.

Repair and renovation building construction costs from the BRB's report show \$699,539,748 for FY2010, \$799,202,533 for FY2011, \$616,280,035 for FY2012 and \$1,373,779,543 for FY2013 and beyond. Based on agency renovation requests and property evaluation studies, it is estimated that 33 percent of these renovation construction costs will fall under the provisions of the bill requiring that 50 percent or more of the building's total area be renovated. Applying this 33 percent factor, along with the 63 percent for buildings of 10,000 square feet or larger, and the 2 percent upfront cost increase gives these estimated costs for LEED certification for repair and renovation projects:

\$559,296 for FY2010;
\$487,660 for FY2011;
\$234,011 for FY2012; and
\$550,475 for FY2013 and beyond.

The BRB's report lists all of the funding sources, such as: Auxiliary Enterprise Revenues; Designated Tuition; Federal Funds and Grants; General Revenue; Gifts/Donations; Legislative Appropriations; Local Funds; Revenue Bonds (Tuition and Other); Permanent University Fund, and several other sources. The General Revenue and Legislative Appropriations total for both new and repair/renovation costs is \$537,898,368 for FY2010, \$597,925,862 for FY2011, \$368,594,923 for FY2012 and \$426,239,023 for FY2013 and beyond. Based on the BRB report, it is assumed that 83 percent of these funds will be used for new construction, repairs and renovations. Applying this 83 percent factor, along with the 63 percent for buildings of 10,000 square feet or larger, and the 2 percent upfront cost increase gives these estimated combined General Revenue and Legislative Appropriations costs for LEED certification:

\$1,081,668 for FY2010;
\$ 917,639 for FY2011;
\$ 352,023 for FY2012; and
\$ 429,574 for FY2013 and beyond.

If there are agencies that adhere to the building standards outlined in the proposed bill, the cost to these agencies could be less than the assumed 2 percent average cost increase.

The State Auditor estimates that the monitoring, auditing, and consulting costs to prepare the required report are:

\$ 13,500 for FY2010;
\$ 13,500 for FY2011;
\$312,500 for FY2012; and
\$ 67,500 for FY2013.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 303 Facilities Commission, 308 State Auditor's Office, 601 Department of Transportation

LBB Staff: JOB, KJG, SD, PJK, WK, NV