

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 11, 2009

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: SB267 by Hinojosa (Relating to design, construction, and renovation standards for state buildings and facilities.), **As Introduced**

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.

The bill would establish standards for all new state building construction or renovations that are more than 50 percent of the value of state owned buildings, including structures or facilities of institutions of higher education. 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, 2011. The bill would take effect September 1, 2009.

The bill applies to construction projects for which the contract for design services is entered into on or after September 1, 2011, so there will be no significant fiscal impact in the 2010-11 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. 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. Several of the 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 of \$2,334,952,069 for FY2012 and \$4,222,523,801 for FY2013 and beyond. Applying the two percent average cost increase gives \$46,699,041 for FY2012 and \$84,450,476 for 2013 and beyond.

Repair and renovation building construction costs from the BRB's report show \$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 or \$203,372,412 for FY2012 and \$453,347,249 for FY2013 and beyond will fall under the provisions of the bill. Applying the two

percent average cost increase gives \$4,067,448 for FY2012 and \$9,066,945 for 2013 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 \$368,594,923 for FY2012 and \$426,239,023 for FY2013 and beyond. Based on the BRB report, it is assumed that 83% of these funds will be used for new construction, repairs and renovations. Applying the two percent average cost increase gives an approximation of these funds of \$6,118,676 for FY2012 and \$7,075,568 for 2013 and beyond.

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

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, 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, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration, 802 Parks and Wildlife Department

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