

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 26, 2009

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

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

IN RE: SB670 by Shapleigh (Relating to design and construction standards for newly constructed state buildings, public school facilities, and higher education facilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB670, As Introduced: a negative impact of (\$14,895,282) 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 building construction. The bill applies to state agencies, public school districts, and institutions of higher education. The projects would have to be designed and constructed 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 Texas Facilities Commission (TFC), the Texas Education Agency (TEA), and the Texas Higher Education Coordinating Board (THECB) would be required to adopt administration rules, monitor, document, and respectively report on state agency, public school district, and institution of higher education compliance and any operating savings in accordance with this legislation.

The bill would require TFC to establish and appoint members to an advisory committee from the design and construction industry, TEA, THECB, institutions of higher education, and public school districts.

The provisions of the bill would apply only to the construction of 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.

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 or institution.

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 are reported in 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). The BRB's report lists all of the sources of funding, 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.

Applying the assumed 2 percent green design upfront construction cost increase to the General Revenue and Legislative Appropriations portions of new construction in the BRB's Capital Expenditure Plan results in the following estimated costs to the state:

\$ 6,800,000 for FY2010;
\$ 7,500,000 for FY2011;
\$ 4,600,000 for FY2012, and;
\$ 5,400,000 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 bill would also require the State Auditor to issue a report, not later than January 15, 2013, concerning the implementation of this bill. 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;
\$ 836,300 for FY2012, and;
\$ 77,100 for FY2013.

To perform the required monitoring TEA estimates it would require 1.5 FTEs, data collection software, travel, and other expenses at a total of:

\$ 408,141 for FY2010;
\$ 160,141 for FY2011;
\$ 160,141 for FY2012;
\$ 160,141 for FY2013, and;
\$ 160,141 for FY2014.

Local Government Impact

According to TEA, the requirement for school districts to comply with the bill will increase the construction and reporting costs of new school construction projects.

Source Agencies: 303 Facilities Commission, 308 State Auditor's Office, 601 Department of Transportation, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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