

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 12, 2011

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

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

IN RE: HB1656 by Davis, Yvonne (Relating to the purchase of iron, steel, and manufactured goods made in the United States for state construction projects.), **As Introduced**

There would be an indeterminate fiscal impact to the state from the provisions of the bill.

The bill would amend Government Code to require that iron, steel, and manufactured goods, including equipment, purchased by the state for building construction purposes, be produced in the United States. The bill would provide exemptions when sufficient quantities of the needed goods are not produced in the United States or when such a requirement would increase the total cost of a project by more than 25 percent.

Responding agencies report that such a requirement would allow project costs to increase by up to 25 percent of current costs. This potential cost varies from agency to agency depending on the level of anticipated future building construction. Some agencies would see no financial impact to their construction projects while others could experience a significant increase in project costs.

The Department of Public Safety reports that the bill's provisions could increase construction costs to the point that the agency would be required to decrease the scope of the final constructed building, leaving the agency with unmet building needs.

The Texas Department of Transportation (TXDOT) reported that reported that the bill's provisions could increase projected construction project costs for fiscal years 2012 and 2013 by a maximum of \$4.5 million. TXDOT also reported that the act of determining whether a cost estimate is less than 25 percent of an increase would require significant research staff resources during the design and development phase of each project. The agency believes this additional cost could be absorbed within existing staff resources. Receiving the level of detail necessary to complete such an analysis would require changes to the current procurement process for related projects.

The bill would apply only to bids submitted or purchases made on or after the effective date. The bill would take effect September 1, 2011.

Local Government Impact

There would be an indeterminate fiscal impact to local governments from the provisions of the bill.

Source Agencies: 303 Facilities Commission, 405 Department of Public Safety, 601 Department of Transportation, 696 Department of Criminal Justice

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