

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

TO: Honorable John Davis, Chair, House Committee on Economic & Small Business Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB558** by Davis, Yvonne (Relating to the purchase of iron, steel, and manufactured goods made in the United States for certain state, state-aided, and governmental entity construction projects.), **As Introduced**

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

The bill would amend the Government Code, Chapter 2166, to require state and local government construction bids and contracts to source iron, steel and manufactured goods used in a project to be produced in the United States. The bill would permit exceptions if these goods are not produced in sufficient quantities in the United States or the cost for these goods exceeds 15 percent.

Multiple agencies report that such a requirement would allow the cost of identified goods to increase by up to 15 percent. The ultimate impact of 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 an increase in project costs.

The Department of Public Safety (DPS) reports that under the provisions of the bill, construction costs may increase by 0.79 percent, leading either to increased expenditures or scaled back projects.

The Texas Facilities Commission (TFC) reports that under the provisions of the bill, construction costs may increase by 1.0 percent.

The Texas Department of Transportation (TXDOT) reports that the provisions of the bill could increase projected construction project costs by 3.5 percent. TXDOT also reported that the act of determining whether a cost estimate is less than 15 percent of an increase may require additional steps by staff or during the project development phase and require changes to the current procurement process. The agency anticipates these additional costs could be absorbed within existing resources.

The Texas A&M University System (TAMU) anticipates that construction costs may increase but could not determine the impact without knowing the size and scope of future projects. The University of Texas System (UT) anticipates that construction costs would increase under the provisions of the bill.

The bill would apply only to bids submitted or purchases made on or after the effective date. The bill would take effect September 1, 2013.

Local Government Impact

There could be additional costs to a municipality required to request that iron, steel and manufactured goods, that are part of a bid for a public work, be manufactured in the United States unless the total cost would be 15 percent or more. Costs would vary depending on the availability of products and whether the requirement would be waived.

According to the Texas Municipal League, municipalities that could obtain products to comply with the manufacturing requirements would incur an additional 15 percent in costs.

According to the Texas Association of Counties, no fiscal impact to counties is anticipated.

Source Agencies: 303 Facilities Commission, 405 Department of Public Safety, 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

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