

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 20, 2021

TO: Honorable James White, Chair, House Committee on Homeland Security & Public Safety

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3407 by Raymond (Relating to a requirement that the Texas Division of Emergency Management maintain climate-controlled warehouses to store personal protective equipment for rapid delivery in a disaster.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3407, As Introduced : a negative impact of (\$150,028,748) through the biennium ending August 31, 2023, under a scenario in which the agency purchases eight warehouses; or a negative impact of (\$47,008,748) through the biennium ending August 31, 2023, under a scenario in which the agency leases eight warehouses.

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 below numbers are based on information submitted by the Texas Division of Emergency Management (TDEM). The first scenario outlines if the agency purchases eight warehouses across the state. TDEM projects that in order to meet the delivery time requirements stipulated by the bill it would require eight warehouses positioned throughout the state, as opposed to the minimum listed in the bill of six.

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from General Revenue Fund 1	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$145,144,924)	17.0
2023	(\$4,883,824)	17.0
2024	(\$4,883,824)	17.0
2025	(\$4,883,824)	17.0
2026	(\$4,883,824)	17.0

The second scenario outlines if TDEM leases warehouse space. This estimate is based on the leasing of eight warehouses.

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$38,039,924)	17.0
2023	(\$8,968,824)	17.0
2024	(\$8,968,824)	17.0
2025	(\$8,968,824)	17.0
2026	(\$8,968,824)	17.0

Fiscal Analysis

The bill would amend the Government Code to require TDEM to maintain at least six climate controlled warehouses for the purpose of maintaining a supply of personal protective equipment (PPE) located throughout the state and able to be delivered anywhere within the state in under six hours.

Methodology

To fulfill the delivery requirements included in the bill, TDEM reports that it would require eight warehouses located in different regions across the state. These warehouses can either be leased or purchased and TDEM has provided cost estimates for both scenarios. Estimates provided assume one warehouse with 250,000 square feet, five warehouses with 60,000 square feet, and two warehouses with 50,000 square feet. The lease or purchase scenarios both assume maintenance, utilities, insurance and janitorial costs at presumable market rates as projected by TDEM. Lease and financing amounts are based on estimates provided by TDEM.

The purchase scenario assumes \$138,695,000 in one-time costs in fiscal year 2022 for the purchase of land and construction of eight warehouses. These one-time costs include land, building construction and the costs to procure and install HVAC systems, interior build-out, generators, furnishings, fencing, and material handling equipment. Additionally, \$400,000 in one-time moving costs will be required. In fiscal year 2022, and subsequent years thereafter, \$146,250 in insurance expenses, \$1,365,000 in maintenance and janitorial expenses, and \$1,525,000 in utility costs are estimated per year. Additional recurring expenses of \$806,153 fiscal year 2022 and \$597,148 in subsequent years are estimated for other operating and fuel costs.

The rental scenario assumes \$27,505,000 in one-time costs in fiscal year 2022 to build out the eight warehouse spaces, including HVAC systems, interior build-out, generators, furnishings, fencing, and material handling equipment. Additionally, \$400,000 in one-time moving costs will be required. In fiscal year 2022, and subsequent years thereafter, \$56,250 in insurance expenses, \$390,000 in janitorial expenses, \$1,525,000 in utility costs, and \$5,150,000 in rent costs are estimated per year. Additional recurring expenses of \$806,153 fiscal year 2022 and \$597,148 in subsequent years are estimated for other operating and fuel costs.

In order to operate the eight warehouses, under both purchase and rental scenarios, TDEM would require an additional 17.0 FTEs. One Unit Chief, estimated salary of \$99,500, to oversee the warehouse program and two inventory specialists with an average salary of \$51,985 each to manage each warehouse (16.0 total). Other personnel costs including employee benefits total \$319,166 each year. Total personnel costs for the 17.0 FTEs is \$1,250,426 per year.

One-time vehicle purchases of \$957,095 in fiscal year 2022 are necessary for the purchase of a distribution truck at each warehouse (8.0 total) and a vehicle for the unit chief.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 575 TX Division of Emergency Management, 710 Texas A&M Univ System Admin

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