



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 34

PRINTERS NO. 613

PRIME SPONSOR: Harper

### COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	Fiscal Impact below

#### SUMMARY:

House Bill 34, Printer's Number 613, requires the design, construction and renovation of certain state-owned or state-leased buildings to comply with specified energy and high-performance building standards, and provides for the powers and duties of the Department of General Services (DGS). This legislation would take effect in 60 days.

#### ANALYSIS:

This bill establishes the High-Performance State Buildings Standards Act. The following building projects, defined as "major facility projects", shall be subject to this act:

- A state-owned building project larger than 20,000 gross square feet;
- A new building project larger than 20,000 gross square feet in which a Commonwealth agency has agreed to lease no fewer than 90% of the gross square feet; and
- A renovation project that is larger than 20,000 gross square feet and at least 90% of the total square footage of the building.

DGS shall develop and issue regulations for complying with this act. The purposes of the regulations shall be to 1) adopt high-performance building standards selected by the department from among accepted industry standards 2) define procedures and methods for verifying compliance with the standards and 3) specify the level of achievement that projects are to meet or exceed. In addition, for building types for which Environmental Protection Agency provides Energy Star ratings, such projects subject to the act are required to be designed to earn an Energy Star rating of 75 or above.

The high-performance building standards used to comply with this act shall:

- include performance-based categories or credits that will foster the purposes of the act;
- require documentation, verifiable calculation or equivalent procedures to support claims related to standards; and
- employ third-party, post-construction review and verification for achievement of certification by an organization that has a track record of certified green buildings in the United States and uses a consensus-based rating system.

DGS shall submit an annual report to the Senate and House Environmental Resources and Energy Committees and State Government Committees outlining the number and types of buildings designed and constructed; the levels of certification of each building; a description of all potential environmental benefits; and any barriers which hinder effective implementation of this act.

DGS shall also develop and implement a process to monitor and evaluate the energy and environmental benefits associated with each major facility project designed, constructed or renovated. The Commonwealth agency occupying the building – not DGS - shall commence monitoring and evaluation the facility one year after the completion of occupancy and continue for five years thereafter.

**FISCAL IMPACT:**

The bill includes a provision that states DGS "...shall not implement or enforce the provisions of this act as they apply to major facility projects owned or leased by a Commonwealth agency until the Secretary of General Services and the Secretary of the Budget determine there is adequate funding available to cover additional costs resulting from compliance with the requirements of this act." Given this provision, it is unknown when or in what volume any high-performance building projects will be released for design and construction as a result of this legislation.

If and when a high-performance building project proceeds, DGS would expect to incur 2-5% higher upfront capital budget costs over a conventional building project. DGS anticipates various increased costs related to design, preparation, construction and procurement. However, DGS indicates that the increased cost for design and construction of a new high-performance building would be offset by lifetime energy savings when compared to more conventional, less energy efficient construction methods. Different industry and research reports highlight annual energy and utility savings between 24% to 50% depending on the type of design and energy used. Also, the bill includes a cost recovery provision that requires the difference between any additional cost incurred in a major facility project and the lowest cost alternative must have an estimated recovery period of not more than ten years.

General obligation bonds finance the design and construction of state-owned building projects, but the exact debt service costs to the General Fund would depend on the amount of bonds sold and the interest rate at the time of sale. Commonwealth agencies in leased facilities could pay higher lease rates in high-performance buildings. Recent industry data indicates that Energy Star-labeled buildings charge at least 3% higher rents.

Future costs to the department associated with the powers and duties should be covered under existing operations, especially since DGS currently utilizes green building designs and specifications where applicable.

Any additional administrative and operational costs to DGS under this act should be covered within its existing budget. Also, Commonwealth agencies occupying a state-owned or leased high-performance building would be required to monitor and evaluate the building impacts, but the costs associated with this activity are likely to be covered within existing agency operations.

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**DATE:** February 8, 2012

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*