



HOUSE COMMITTEE ON APPROPRIATIONS
2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 444

PRINTER'S NO: 488
As Amended by A02444

PRIME SPONSOR: M. Smith

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	See Analysis	See Analysis
Net Cost/(Savings):		
General Fund	See Analysis	See Analysis

OVERVIEW:

House Bill 444 establishes the High-Performance, State-Funded Buildings Standards Act, requiring the design, construction and renovation of buildings that receive a State appropriation to comply with specified energy and environmental building standards.

Under House Bill 444, all building projects shall meet or exceed the performance requirements of the adopted high performance building standards and achieve an Environmental Protection Agency Energy Star rating of 85 or above. The Energy Star rating criteria shall only apply to those projects which commence after the effective date of this act and involve building types in which the Environmental Protection Agency provides Energy Star ratings.

A major facility project is defined in the bill as follows:

- A State-funded new construction project in which the building to be constructed is larger than 20,000 gross square feet.
- A State-funded building renovation project where the State funding exceeds \$1,000,000 of the construction cost.
- A State-funded commercial interior tenant fit-out project that is larger than 10,000 square feet of leasable area.
- A new construction project in which the building to be constructed is more than 10,000 gross square feet and a State department has agreed to lease 90% of the gross square feet.

This bill also requires the Department of General Services (DGS) to submit an annual report to the chairman and minority chairman of the Environmental Resources and Energy Committee Senate and House of Representatives. House Bill 444 further provides that DGS, in consultation with the Department of Environmental Protection, develop and implement a process to monitor and evaluate the energy and environmental benefits associated with building projects under this act.

This act shall effect in 60 days.

ANALYSIS:

The capital costs associated with design and construction vary significantly depending on the specific project. Therefore, estimates for the effect this legislation will have on Commonwealth funds cannot be quantified at this time, although broad parameters can help to understand the potential up-front costs that will be incurred. Costs may be recovered over the long term but start up costs could be substantial for the state and other entities that receive state funding for building projects addressed in this legislation.

According to DGS, the department anticipates increased initial capital construction and renovation costs resulting from passage of this legislation. However, DGS also expects those costs to be recovered in the long term via lower operating costs (e.g. water and energy utilities). These savings are estimated by industry sources to be up to 30% of annual utility costs. According to Penn State University, meeting the high performance building requirements, such as those in this bill, has the potential to increase the construction and renovation costs of major facility projects by two to five percent (2%-5%).

Since capital construction projects are financed with General Fund bond funds, increases in construction costs would result in an increase in General Fund debt service costs. For every \$100 million of bonds issued, it will cost approximately \$8.024 million per year for twenty years assuming a rate of five percent (5%) using a level-debt service methodology. The actual cost will depend on the amount of bonds sold and the interest rate at the time of sale.

DGS does not anticipate any additional personnel costs due to the development of regulations, utility oversight, and reporting responsibilities included in this legislation. However, follow-up monitoring is only the responsibility of DGS for those facilities under the oversight of DGS. For example, the State System of Higher Education, the Department of Corrections, and state agency regional offices (e.g. DPW, DEP and PennDOT) would be responsible for monitoring their individual utilities. This could result in increased costs to those agencies and departments responsible for self-monitoring.

House Bill 444 provides that DGS shall not enforce the provisions of this act as they apply to building 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.

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House Appropriations Committee, (D)

DATE: July 6, 2009

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*