HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 193 **PRINTERS NO**. 3006 **PRIME SPONSOR**: Harper

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	**$0**	**$0**

SUMMARY:
House Bill 193, Printer's Number 3006, requires the design, construction and renovation of 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 to require high-performance buildings to be designed "to achieve integrated systems and design construction so as to significantly reduce or eliminate the negative impact of the built environment."

The following building projects shall be subject to this act: State–owned or state-leased buildings and State-owned construction projects where the building is larger than 20,000 gross square feet. All building projects are required to be designed to earn Energy Star certification to achieve an Environmental Protection Agency Energy Star rating of 75 or above.

In order to be considered a high performance building, several minimum criteria standards shall be applied:

- include performance-based categories or credits that will foster the purposes as set forth in the legislation;
- 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.

The provisions of the act shall apply to all major facility projects where design commences at least 60 days after the final regulations are promulgated by the department.

The department shall be responsible for additional powers and duties, including:

- DGS shall develop and issue regulations for complying with this act. The purpose of the regulations shall be to adopt high-performance building standards selected by the department; define procedures and methods for verifying compliance with the standards; and specify the level of achievement to be met by the standards.
- 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 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.

The bill also states that the department 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.

FISCAL IMPACT:
Enactment of this bill is not expected to adversely impact Commonwealth funds. 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 the department under this act are not expected to be realized at least until FY 2014-15. This is because the department anticipates it could take over a year until the regulations are developed and implemented. Other agencies occupying a state-owned or leased facility would be required to monitor and evaluate the building, but these costs are also expected to be covered as part of existing operations activity.

It should be noted that Commonwealth will incur additional capital and debt service costs in future years when funding is committed to a particular major facility project. DGS anticipates various increased costs related to the design, preparation, construction, procurement, renovation, leasing, and ongoing maintenance of any facility. General Fund bond obligations would finance such capital facility projects, but the exact costs to the General Fund would depend on the amount of bonds sold, the costs related to each individual project and the interest rate at the time of sale.

DGS does anticipate to recover much of these increased costs from the construction and design of a high-performance, green building in the long term through significantly lower operating costs. For example, the department plans for a minimum use and occupancy of a building of 30 years with the design and construction of a green building having the potential to have 2-5% higher costs than conventional construction. However, these increased costs would be mostly offset over the lifetime of the facility due to decreased utility and energy costs. Different industry and research reports highlight annual energy and utility savings between 24% to 50% depending on the type of design and energy used.

However, since newly-constructed leased premises would be required to meet these requirements, Commonwealth agencies could anticipate paying higher rent rates as a result of the construction costs. In fact, recent data presented by industry states that Energy Star labeled buildings charge at least 3% higher rents. It should also be noted that most Commonwealth leases are for 5, 10 and 15 year terms and the agency generally would not receive the benefit associated with lower energy costs since these are generally paid by the landlord.

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