

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 07-0337

**Date:** January 24, 2007

**Prime Sponsor(s):** Sen. Gordon

**Bill Status:** Senate Agriculture

**Fiscal Analyst:** Bill Goosmann (303-866-3561)

**TITLE:** CONCERNING A REQUIREMENT FOR INCREASED RESOURCE EFFICIENCY FOR STATE-ASSISTED BUILDINGS.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
<b>State Revenue</b>	\$0	\$0
<b>State Expenditures</b>	\$0	\$0
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Effective Date:</b> Unless a referendum petition is filed, the bill will take effect August 8, 2007, assuming the General Assembly adjourns on May 9, 2007, as scheduled.		
<b>Appropriation Summary for FY 2007-2008:</b> None required.		
<b>Local Government Impact:</b> None		

**Summary of Legislation**

This bill requires certain state building projects to pursue LEED certification – Leadership in Energy and Environmental Design – with the U.S. Green Building Council if the additional cost of the certification can be recouped in 5 years or less through lower energy, maintenance, and operating costs. State building projects covered by this bill are defined as design, construction, or "substantial renovations" that meet the following criteria:

- (1) projects are 5,000 gross square feet in size or larger;
- (2) projects receive at least 25 percent of their funding from a state agency; and
- (3) projects have not entered a design phase prior to January 1, 2008.

"Substantial renovation" is defined as any renovation that exceeds 25 percent of the value of the property. Controlled maintenance projects and minor renovations are excluded from the bill's requirements. The Department of Personnel and Administration is directed to develop guidelines for state agencies with projects covered by the legislation. The department is also required to report annually to the legislature's Capital Development Committee.

## **Background**

The U.S. Green Building Council is a non-profit coalition of some 7,200 companies and organizations that represent every sector of the building industry. The LEED program evaluates 5 areas of building construction that affect human and environmental health: (1) sustainable site development; (2) water savings; (3) energy efficiency; (4) materials selection; and (5) indoor environmental quality.

## **State Expenditures**

This bill will likely affect state expenditures, but the net impact is unknown. In the near term, initial construction costs may increase, but estimates of those impacts vary. Any added building costs would be paid through the state's capital construction budget process for each state department. In the medium term, the bill's 5-year payback period would result in no net impact to state expenditures from upfront increases in construction costs. In the long term – that is, the 20-30 year design life of a building – continued savings on utilities, water consumption, etc., beyond the 5-year payback period may produce net savings to the state.

*Capital construction and operating costs.* LEED building features typically increase construction costs between 1-20 percent, sometimes more for major renovation projects. However, facilities designed to the LEED criteria are anticipated to recover those costs over a period of time by reducing long-term energy and maintenance operating costs. Any resulting impact to construction and operating costs for state facilities to be designed and constructed in the future has not been estimated, and is dependent upon the extent to which the guidelines to be developed by the Department of Personnel and Administration affect current facility design criteria. The department will be able to develop guidelines and procedures to administer the program within existing budgetary resources.

Three aspects further complicate predictions of the fiscal impact of this legislation: (1) existing statutes and executive orders that require similar project approaches; (2) estimating the amount of state-assisted construction in subsequent years; and (3) the types of buildings pursuing LEED certification.

*Existing state life-cycle analysis and LEED directives.* Current law requires state agencies to use "design and construction methods for state facilities...insuring that life-cycle cost analyses and energy conservation practices are employed" (Section 24-30-1304; see also 24-82-601, C.R.S.), and at least two Governor's executive orders encourage energy-saving efforts at state facilities (see D01403, 2003) and encourage state agencies to pursue LEED project components (D00505, 2005). The extent to which these procedures are being followed at current state construction projects will lessen the impact of the LEED certification, but may also make it easier to achieve.

*Estimates of state-assisted construction.* Difficulties predicting future state building construction activity are illustrated in the table below by the disparity in funds available for capital construction in Colorado over the past several years.

<b>Revenue Available for State Capital Projects, FY 2002-03 to FY 2005-06</b>			
<b>FY 2002-03</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>
(\$12.8M)	\$33.4M	\$7.8M	\$125.5M

Source: *Capital Development Committee*. Colorado Legislative Council Research Publication No. 558. December 2006.

*Influence of building types.* Other factors that influence building cost and LEED certification are presented briefly below.

- (1) Buildings common to the Department of Corrections and the Department of Transportation do not fit the usual types of buildings that seek LEED certification (e.g., office buildings). Different sites often require markedly different approaches to LEED certification/available credits, such as orientation and rural-vs.-suburban settings. Climate will also influence the degree of energy savings.
- (2) The cost of pursuing some of the LEED credits varies based on region-specific or project-specific issues, such as the availability of local materials and the availability of recycled construction materials.
- (3) Similarly, the cost of pursuing some of the LEED credits may vary widely based on the building type and building program.
- (4) Local and regional design standards, building codes, and incentives.
- (5) Projects may lack elements available for credit in the LEED certification process, such as roof replacement and site renovation.

### **Departments Contacted**

All Departments