


Colorado Legislative Council Staff Fiscal Note
STATE
REVISED FISCAL IMPACT
(replaces fiscal note dated January 24, 2007)

Drafting Number: LLS 07-0337	Date: March 14, 2007
Prime Sponsor(s): Sen. Gordon Reps. Witwer, Levy	Bill Status: House Transportation & Energy 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
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: September 1, 2007, unless a referendum petition is filed and the question is submitted for voter approval, in which case it takes effect upon proclamation of the governor.		
Appropriation Summary for FY 2007-2008: None required.		
Local Government Impact: None		

Summary of Legislation

This reengrossed bill directs the state architect (Department of Personnel and Administration) to adopt a "high performance standard certification program" for state building projects. The program must:

- include standards and performance can be quantified and verified by an independent third party;
- reduce long-term operating costs (e.g., energy, water consumption);
- recoup increased initial costs within 15 years through lower operating costs;
- improve indoor environmental quality;
- encourage the use of local building products and materials; and
- comply with the federal standards for historic properties.

Projects covered by this bill include facilities that: (1) are substantially renovated, designed, or constructed with state funds or state funding guarantees; (2) are 5,000 gross square feet in size or larger; (3) include heating, ventilation, or air conditioning systems; and (4) 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.

State agencies controlling projects meeting these criteria are required to achieve the highest performance certification attainable. Exceptions are detailed below.

- If certification cannot be achieved because of the project's historic aspects or because pay-back will not occur prior to 15 years, an accredited professional must certify that the project has complied as much as possible with the certification standard.
- If certification will increase building costs by more than 5 percent, the Capital Development Committee is directed to review the situation and, if appropriate, approve the added expenditure.
- The executive director of the Department of Personnel and Administration (DPA) may exempt projects with "extenuating circumstances."

DPA is required to report annually to the Capital Development Committee regarding the high performance standard certification program.

State Expenditures

This bill will likely affect state expenditures, but the net impact is unknown. High performance building standards typically increase initial construction costs up to 20 percent, sometimes more for major renovation projects. Therefore, state expenditures may increase in the short term. Those increased costs would be paid through the state's capital construction budget process for each state department. In the medium term, the bill's 15-year payback period would result in no net impact to state expenditures arising from increases in project costs. Beyond the 15-year payback period, continued savings on utilities, water consumption, and the like may produce net savings to the state.

Impacts to construction and operating costs have not been estimated for state facilities to be designed and constructed in the future. Such estimates depend on the extent to which the program to be developed by DPA affects current facility design and construction criteria. DPA indicated that it 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:

- existing statutes and executive orders that require similar project approaches;
- estimating the amount of state-assisted construction in subsequent years; and
- site-specific and building-specific conditions.

Existing state life-cycle analysis. 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.). At least two executive orders also encourage energy-saving efforts at state facilities (see D01403, 2003) and

encourage state agencies to pursue high performance project components (D00505, 2005). The extent to which these procedures are being followed at current state construction projects will lessen the impact of the proposed high performance standard program.

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.

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

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

Specific conditions. Other factors that may influence building costs and high performance standards are presented below.

- Projects may lack elements relevant to high performance standards (e.g., roof replacement, site renovation). Different sites may require markedly different approaches to high performance standards, such as orientation and rural-vs.-suburban settings. Climate will also influence the degree of energy savings.
- The cost of pursuing high performance standards varies based on region-specific and project-specific issues such as the availability of local materials and the availability of recycled construction materials.
- Buildings common to the corrections and transportation departments may not feature or use to which high performance standards apply (e.g., maintenance garage vs. office building).
- Local and regional design standards, building codes, and incentives may influence the application of high performance standards.

Departments Contacted

All Departments