

meet the goal.

- ***Administrative costs.*** Associated administrative costs that may result in order to comply with the new engineering requirements include: hiring a building operator and providing training; completing various forms, preparing life cycle and energy consumption cost analyses, and preparing purchasing documents.
- ***Potential long-term energy savings.*** Any short-term costs incurred by state agencies by incorporating ASHREA standards, and state institutions of higher education meeting an energy reduction goal of 20% by 2014, would presumably be offset in the long run by reduced energy expenses. Any savings would likely depend on the fixed cost of the energy efficient equipment versus the variable cost of energy supplies.
- ***Department of Administrative Services (DAS) – Additional Construction Oversight.*** If the new energy oversight and review procedures result in additional staff time or personnel costs, there may be new costs for the Office of Energy Services, a unit of DAS's Office of State Architect. Those costs would likely be passed on to the owners of capital projects through higher State Architect fees, which are deposited in the State Architect's Fund (Fund 131). DAS estimates the new requirements in the bill may result in the need to hire an additional eight to ten employees. Hiring these new employees may result in an additional \$800,000 to \$1 million in salary, benefit, and supply expenses.
- ***DAS Procurement – Bid Preference.*** The bill requires DAS to give preference to products and services that meet energy efficiency guidelines set by the United States Environmental Protection Agency and Department of Energy. Because preference will be given to certain products or services, the purchase price may be more expensive. DAS indicates that energy efficiency products and services are currently being used, but they are not mandated. Under the bill, this preference would be mandated and could result in additional review of bids by DAS, though these tasks are likely to be done with existing staff.
- ***Department of Development – Technical Assistance.*** The bill requires the Department of Development to cooperate in providing information and technical expertise to the Office of Energy Services (OES) within DAS to ensure adoption of energy efficiency rules and to assist OES in providing training programs and workshops to state employees involved in the purchasing process. Currently, the Department does not have a cost estimate of these provisions; however, LSC anticipates these costs to be minimal, and that these costs would be paid from federal funds that currently support Development's Office of Energy Efficiency.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions. However, if political subdivisions choose to adopt the preference for energy efficient products and services in their procurement policies, there could be higher costs if these items are more expensive than competing items that do not meet these standards. However, over time, by purchasing more energy efficient products and services political subdivisions may experience some savings.

Detailed Fiscal Analysis

The bill makes several changes to current law regarding energy efficiency in state government. Most notably, the bill requires DAS to adopt additional energy efficiency rules that will require compliance with specific engineering standards, makes changes to life cycle cost analysis and energy consumption analysis specifications, and requires the incorporation of energy efficiency requirements in state purchasing. The fiscal impact of these provisions on various state agencies, state colleges and universities, and local governments is discussed below.

Adoption of energy efficiency rules

To assist the Department of Administrative Services' (DAS) Office of Energy Services (OES) in cost-effectively reducing the energy consumption of state-funded facilities, the bill requires OES to adopt rules specifying cost-effective, energy efficiency and conservation standards that shall govern the lease, design, construction, operation, and maintenance of all state-funded facilities. These rules however, do not apply to the facilities of state institutions of higher education. Furthermore, the bill requires the Department of Development (DOD) to cooperate in providing information and technical expertise to OES to ensure adoption of rules of maximum effectiveness. The bill requires the rules to be adopted no later than nine months after the effective date of the bill. Below is a discussion of some of the rules and their corresponding fiscal impact.

1. Rules to use ASHREA specifications

The bill states that the rules must include a specification of an energy efficiency design standard for heating, refrigeration, and air conditioning systems, components and equipment in state-funded facilities that is 20% above the applicable standard specified in the American Society of Heating, Refrigerating, and Air-Conditioning Engineers handbook (ASHREA). The bill further requires that a state-funded facility adhere to that standard, though the bill exempts facilities of state institutions of higher education.

Fiscal effect on various state agencies. LSC is uncertain about what impact this new requirement would have on the planning, design, and costs of capital projects. Currently, LSC does not have an estimate of the costs associated with bringing certain state-funded facilities into

compliance with these standards. Costs are likely to vary based on the square footage of buildings and the cost of the systems, components, and equipment at each facility. It is reasonable to assume that projects that are already programmed may be delayed in order to make design modifications in order to comply with the requirements. DAS estimates that to achieve the 20% standard, an additional 1% to 5% in capital costs may be added to the initial project estimate according to industry standards.

Fiscal effect on DAS' Office of Energy Services. DAS' Office of Energy Services (OES), within the State Architect's Office, would be primarily responsible for ensuring that certain state facilities are using the energy efficiency standards required by the bill. The mission of this office is to ensure that energy conservation goals are observed in the design, construction, renovation, and utilization of state-owned, assisted, and leased facilities. OES is funded largely from appropriation item 100-639, State Architect's Office within the State Architect's Fund (Fund 131). OES has an operating budget of approximately \$555,000 in FY 2006 and \$562,300 in FY 2007.

The bill leaves it up to OES to determine exactly what the appropriate standards are and to ensure that those standards are being met. Depending on how these new guidelines are enforced, the bill's requirements may be difficult to meet without hiring additional staff. Currently, there is only one person assigned to OES. In order to implement and enforce the ASHREA specifications, DAS reports that the bill may result in the need to hire an additional eight to ten professional employees. This may result in additional salary, benefit, and supply expenditures ranging from \$800,000 to \$1,000,000. To cover these costs it is possible the State Architect's Office may increase their service fees, which are calculated as a small percentage of the overall project construction budget.

2. Rules related to life cycle cost analysis and energy consumption analysis specifications

The bill states that no state agency, department, division, bureau, office, unit, board, commission, authority, quasi-governmental entity, or institution shall lease, construct, or cause to be leased or constructed, a state-funded facility without having secured from OES, a life cycle cost analysis, or in the case of a lease, an energy consumption analysis. Currently, this requirement is only applicable to state agencies. Currently the number of new such cost analyses to be submitted to DAS by all these entities is unknown. Furthermore, the bill requires these entities, whenever they request a release of capital improvement funds for any state-funded facility, to submit copies of all pertinent life cycle cost analyses. Currently this submission requirement applies only to a state department, agency, or institution.

DAS notes that the majority of agencies currently do not submit these analyses. In order to comply with the provisions of the bill various state agencies, authorities, quasi-governmental agencies, and institutions may have to use internal staff or contract with private architectural and engineering firms to provide them, thus incurring additional costs. Currently a cost estimate of these analyses is not available and will likely vary by project.

3. Rules related to waiver of application

The rules shall allow a project manager of a state-funded facility, except a facility of a state institution of higher education, who are exempt from this requirement to apply for a waiver of compliance of the rules regarding cost-effective, energy efficiency and conservation standards governing the lease, design, construction, and operation, and maintenance of state-funded facilities. The waiver application shall include a written explanation and documentation of how the facility will meet energy efficiency and conservation standards prescribed in the rules. Further, OES shall notify the applicant with 30 days after the application's filing if more supporting information is desired.

The development of a waiver, subsequent review of the waiver application, and notification requirements are likely to create minimal costs to OES. Similarly, project managers of certain state-funded facilities are likely to experience minimal costs to prepare the waiver as well as provide associated explanations and documentation of energy efficiency goals.

4. Rules requiring a building operator

The bill also requires the rules to include a requirement that not later than two years after the effective date of the bill, each state-funded facility, except a facility of a state institution of higher education, be managed by at least one building operator certified under the building operator certification program or any equivalent program or standards. The rules must allow a building operator to manage more than one state-funded facility.

Currently, it is unknown how many building operators will be hired or whether state agencies will actually use current employees to fulfill this responsibility. Regardless, agencies are likely to incur training costs, which according to DAS is estimated to cost about \$1,200 per student.

Energy efficiency in procuring products and services

The bill requires DAS to require that each bidder provide sufficient information about the energy efficiency or energy usage of the bidder's product or service, including whether the product or service meets the agency efficiency guidelines set by the United States Environmental Protection Agency (USEPA) and United States Department of Energy (USDOE). Under current law, DAS *may* require that each bidder provide this information. However, as part of the contract awarding process, the bill requires that when DAS is considering awarding a contract for products, it give preference to the lowest most responsive and reasonable bidders whose products or service meets the energy efficiency guidelines set by USEPA and USDOE. DAS reports that modifying current competitive selection procedures will likely require additional staff time and resources (as part of the eight to ten additional people as previously discussed) in OES.

While the bill does not specifically state which standards shall be adopted, this provision most likely would require preference to be given

to "Energy Star" products. The Energy Star program provides products in areas such as lighting systems, air handling systems, cooling systems, office equipment, elevators, auxiliary heating, and others. Use of such products can reduce energy costs in state facilities. DAS indicates that this new preference could increase the purchase price for these services and products, and may lead to minimally increased expenses associated with more detailed review of bids.

Role of the Department of Development in state purchasing. As part of the procurement of energy efficient products, the bill requires OES to work cooperatively with DOD's Office of Energy Efficiency to identify available energy efficiency and conservation opportunities. Currently, OES alone is only required to identify energy conservation opportunities. Further, the bill requires OES to provide technical assistance and training programs to state employees involved in the purchasing process cooperatively with DOD's Office of Energy Efficiency. Under current law, OES is required to provide training programs and workshops to state employees involved in the purchasing process, but without DOD's assistance.

LSC assumes that DOD's Office of Energy Efficiency is likely to incur minimal administrative costs to assist OES in identifying available energy efficiency and conservation opportunities. This may include the monitoring, studying, and evaluating the cost-effectiveness of the state's purchases and use of motor vehicles and of major energy consuming systems having a significant impact on energy consumption by government. As far as the requirement that OES provide training and technical assistance to state employees in the purchasing process, DAS reports that current procurement staff would assume these duties with no additional costs.

Fiscal effect on local governments who choose to adopt new purchasing rules. Also, regarding the new bid preference for purchasing products from lowest most responsive and reasonable bidders whose products or service meets the energy efficiency guidelines set by the USEPA and USDOE, this could add new costs for local governments, but only if they choose to adopt the new proposed state requirement as their own.

Committee of the Interuniversity Council of Ohio

The bill requires the creation of a committee under the Interuniversity Council of Ohio. The committee shall be comprised of the presidents of the state institutions of higher education or their designees. The committee in consultation with OES, shall develop guidelines for the board of trustees of each state institution of higher education to use in ensuring energy efficiency and conservation in on- and off campus buildings. The bill requires initial guidelines to be adopted no later than March 31, 2006.

The guidelines are required to include: (1) a goal of reducing energy expenditures by at least 20% by 2014, (2) minimum energy and efficiency standards for any new on- or off-campus capital improvement project with a construction cost of more than \$100,000 or more, (3) minimum energy efficiency and conservation standards for the leasing of an off-campus space of at least 20,000 square feet, (4) the use of best practices into energy efficiency and conservation standards and plans, (5) a provision that each board of trustees develop its own 15-year plan for phasing-in energy efficiency and conservation projects, (6) project impact assessments including the fiscal effects of energy efficiency and conservation recommendations and plan, and (7) a mechanism for each board of trustees to report periodically to the committee on its progress relative to the guidelines.

Further, the bill requires the board of trustees of a state institution of higher education adopt rules to carry out the guidelines outlined above.

The OES and presidents of state institutions of higher education may experience minimal administrative and travel costs to meet to develop the guidelines. Once these guidelines are adopted state colleges and universities may experience costs to carry out the guidelines. These costs may include hiring additional personnel and acquiring additional resources. Further, to meet the goal of reducing energy expenditures by at least 20% by 2014, may involve the replacement or modification to current heat, ventilation, and air conditioning systems as well as lighting systems. Currently an accurate estimate of what these costs may be is unknown and are likely to vary per college and university based on the institutions financial resources available to meet the goal.

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