LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 25, 2017

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1289** by Creighton (Relating to the purchase of iron and steel products made in the United States for certain governmental entity projects.), **Committee Report 1st House, Substituted**

Depending upon the level of anticipated future building, structure, or infrastructure construction, there could be an indeterminate fiscal impact to the state.

The bill would amend Chapter 2252 of the Government Code, regarding contracts with government entities, to require state entities with projects relating to the construction, remodeling, or altering of a building, a structure, or infrastructure, including a road or highway, or who supply a material for such projects, to source iron or steel products used in such projects from the United States. The bill would permit exceptions if these products are not produced in sufficient quantities in the United States; if the use of products produced in the United States will increase the total cost of the project by more than 20 percent; or if complying with the requirement is inconsistent with the public interest.

The bill would include iron preference in the Transportation Code provisions pertaining to steel preference with regards to contracts awarded by the Texas Department of Transportation (TxDOT) for the improvement of the state highway system without federal aid. The bill would make inapplicable the uniform purchasing condition, added by the bill's provisions, to a contract subject to the specified Transportation Code provisions; and/or the Buy America requirements pertaining to the construction and maintenance of highways contained in the Code of Federal Regulations.

With regards to a contract for the construction of a project for which the governing body of a political subdivision receives financial assistance from the Texas Water Development Board, the bill would remove the requirement that manufactured goods produced in the United States be given preference.

Multiple state entities report that such a requirement could allow the cost of the entity's projects to increase by up to 20 percent. TxDOT indicates that the bill would have an indeterminate fiscal impact on the agency. The ultimate impact of the potential cost varies by entity depending on the level of anticipated future building, structure, or infrastructure construction. Some entities do not anticipate a financial impact to their construction projects while others could experience an increase in project costs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 303 Facilities Commission, 305 General Land Office and Veterans' Land Board, 405 Department of Public Safety, 696 Department of Criminal Justice, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 601 Department of Transportation

LBB Staff: UP, CL, DRE, AG, JPU, SD, JSm