



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

### Bill information:

SB0331 – Require state buildings to have automatic fire sprinklers or suppression systems (Treas, Jeremy)

Status: As Introduced

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2             | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
State Special Revenue	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Federal Special Revenue	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Other	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
<b>Revenue:</b>				
General Fund	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
State Special Revenue	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Federal Special Revenue	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
Other	Unable to Determine	Unable to Determine	Unable to Determine	Unable to Determine
<b>Net Impact-General Fund Balance:</b>	<u>Unable to Determine</u>	<u>Unable to Determine</u>	<u>Unable to Determine</u>	<u>Unable to Determine</u>

**Description of fiscal impact:** The fiscal impact of SB 331 is expected to be substantial but is indeterminate at this time due to the technical concerns and the following factors:

- The inventory of state-owned/operated buildings without fire sprinkler/suppression systems will need to be assessed for the type, size, feasibility, and cost estimates of installing such systems to be determined.
- Installing fire sprinkler or fire suppression systems in all state-owned/operated buildings is expected to be very difficult and extremely expensive.
  - Nearly half the inventory is less than 1,000 square feet and many are in remote locations with no power or water service (e.g. comfort stations within the Department of Fish, Wildlife & Parks portfolio; equipment and sand sheds within the Department of Transportation portfolio).
  - Many facilities are expected to need power, wells, water storage tanks, equipment buildings, fire pumps, and compressors to meet the bill requirements.
  - Adding buildings on a campus are likely to drive upgrades to domestic water systems, some of which are state-owned, and some which are owned by local governments.

3. The total cost impact to the state is indeterminate at this time as the total number of systems, locations, and type of installations needed cannot be ascertained without a full assessment across the inventory.

## FISCAL ANALYSIS

### Assumptions:

#### **Department of Administration**

1. The Architecture & Engineering Division (A&E) of the Department of Administration, compiles and maintains the statewide facility inventory for all state agencies and the Montana University System (17-7-202(2), MCA). The current inventory information is based upon data from Risk Management & Tort Defense Division (RMTD).
2. It is assumed the bill will require compliance for all existing state-owned buildings.
3. The current inventory totals 5,060 state-owned buildings of all types and sizes (from 50 square feet to 200,000 square feet) amounting to 23,746,307 total square feet valued at \$5,769,830,769.
4. Of the total 23,746,307 square footage, it is estimated that 90% will need fire sprinkler/suppression systems installed.
5. Costs to install fire sprinkler/suppression systems range from \$20 to \$25 per square foot which calculates to an estimated \$427 million to \$534 million to implement the requirements of this proposed legislation. This estimate does not include upgrades to utilities or ongoing maintenance costs.
6. The requirement does not include state-operated buildings which will likely include those in the leased space inventory and buildings owned by the federal government but operated by a state agency (for example, some operated by the Department of Military Affairs).

#### **Department of Commerce**

7. The Board of Investments, which is administratively attached to the department, owns a 48,057 square foot building in Helena. If SB 331 passes as currently written, the retrofit average for adding sprinklers to the building at the A&E estimate of \$20 per square foot would be \$961,140.
8. The Montana Heritage Commission (MHC), another administratively attached agency, owns 253 buildings in Virginia City, Nevada City, and Helena. All but three of these buildings would require the installation of fire sprinkler or suppression systems.
9. Using the A&E estimate of \$20 per square foot to retrofit fire suppression systems in historic properties, the estimated total would be \$3,877,760. Since many of the building in Virginia and Nevada Cities do not have access to water, underground tanks will need to be installed at an additional estimated cost of \$200,000. Alarm systems for each site are estimated to total \$7,500.
10. Additional costs, which cannot be quantified at this time but are expected to be significant, include the installation of underground water lines from the tanks to each building, equipping each building with power, and insulating the buildings. Also, due to the historical designation of Virginia and Nevada Cities, any underground work or digging will have to be done under the supervision of an archeologist.

#### **Department of Labor and Industry**

11. With an increase in workload starting July 1, 2025, the Department of Labor and Industry will need to hire 3.00 FTE classified as Building Code Inspector 1 to perform inspections. The 3.00 FTE Building Code Inspector will cost \$251,653 in personal services in FY 2026 and FY 2027 with a 1.5% increase over the 2029 Biennium.
12. The department estimates operating costs such as telephone, copiers, scanners, utilities, minor equipment, supplies, technology costs, rent, travel, and indirect costs will total \$100,661 for FY 2026. A 1.5% inflationary factor has been added to this amount for FY 2028 and FY 2029. One-time-only operating expenditures for the FTE include \$4,800 for office supplies and equipment and \$3,600 for computers and are included in FY 2026.
13. Fees to cover overhead and the cost of the inspections, as required by this legislation, will be set commensurate with costs.

14. Assumptions are based on the inspection of sprinklers or fire suppression systems for existing state owned or operated buildings and new construction of state owned or operated buildings. If the legislation excludes all existing state owned or operated buildings, the requirement for FTE will decrease to 1.00 FTE.

#### **Long-Term Impacts:**

1. The inventory of state-owned/operated buildings without fire sprinkler/suppression systems will need to be assessed for the type, size, feasibility, and cost estimates of installing such systems to be determined.
2. Installing fire sprinkler/suppression systems in all state-owned buildings is expected to be difficult to accomplish and expensive.
3. Nearly half the inventory is less than 1,000 square feet and many are in remote locations with no power or water service (e.g. comfort stations within the Department of Fish, Wildlife & Parks portfolio; equipment storage sheds for the Department of Transportation).
4. Many facilities are expected to need power, wells, water storage tanks, equipment buildings, fire pumps, and compressors to meet the bill's requirements.
5. Adding buildings on a campus are likely to drive upgrades to domestic water systems, some of which are state-owned and some are owned by local governments.
6. Costs for buildings alone could range from \$25-\$35 per square foot and does not include upgrades to utilities.
7. The above impacts do not include buildings operated, but not owned, by the state.
8. It is also not possible to determine a cost due to the technical and implementation concerns identified below.

#### **Technical Concerns:**

1. The bill is unclear as to whether or not existing buildings must be retrofitted with sprinkler or suppression systems. The Department of Administration's Architecture & Engineering Division, and the Montana University System, have interpreted the bill to mean everything must be retrofitted.
2. If the bill does not require retrofits, it is unclear as to when the new requirement would apply. For example, it is unclear if the requirement will be enforced by the Department of Labor and Industry for major repair HVAC projects or roof replacements, or only new buildings, or for major or minor renovations.
3. There is no distinction between building types or sizes, or construction materials involved (i.e. combustible vs. non-combustible).
4. The requirement exceeds international building code requirements as presently adopted by the Department of Labor and Industry.
5. Section 50-60-101, MCA, reads as follows: "Building" means a combination of any materials, whether mobile, portable, or fixed, to form a structure and the related facilities for the use or occupancy by persons or property. The term must be construed as though followed by the words "or part or parts of a building".
6. The Board of Investments is currently building 28 residential units in Deer Lodge to be leased to employees of the Montana State Hospital and the Montana State Prison. The facility was designed in accordance with 2021 International Residential Codes, as modified by the State of Montana, to remove requirements to have sprinklers. There are fire walls between units (two hour rated) and walls and ceilings separating living spaces from garages (one hour rated). Passage of SB 331, as currently written, will require seven of the 28 units be cancelled and the savings be redirected to sprinkler systems in the remaining 21 units.
7. The bill makes no exception for historic properties. Many of the historic buildings owned by Montana Heritage Commission do not have the infrastructure necessary to support a fire sprinkler or suppression system. Costs associated with weatherizing the buildings, and supplying power and water to support the systems, will likely run into the millions of dollars.

JRT

Sponsor's Initials

2-26-25

Date

Budget Director's Initials

Date