

JOINT BUDGET COMMITTEE



INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2019-20 & FY 2021-22

CAPITAL CONSTRUCTION (DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, HIGHER EDUCATION)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
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SEPTEMBER 22, 2022

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INTERIM SUPPLEMENTAL REQUESTS

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS UPGRADE RESTROOMS FOR CODE COMPLIANCE, LONGMONT READINESS CENTER (SPENDING EXTENSION)

	REQUEST	RECOMMENDATION
TOTAL	\$0	\$0
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? **YES**
 [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff agrees that this request is the result of new data and unforeseen contingencies that caused project delays.

DEPARTMENT REQUEST: The Department of Military and Veterans Affairs requests an extension of spending authority through FY 2022-23 for the Upgrade Restrooms for Code Compliance, Longmont Readiness Center controlled maintenance project.

CDC APPROVAL: The Capital Development Committee approved the request on September 2, 2022.

STAFF RECOMMENDATION: Staff recommends the Committee approve the request for an additional year of spending authority as requested under Section 24-75-111.5, C.R.S.

STAFF ANALYSIS:

The project constructs new men’s and women’s toilet/shower rooms at the Longmont Readiness Center to meet building code and Department of Defense requirements. According to the Department, construction of the project was delayed due to questions around which data set - user occupancy count or 2018 International Building Code Requirements – to base the numbers on, internal turnover in the Department, and other COVID-19 related challenges.

The appropriation in question was made in S.B. 19-207 (Long Bill) beginning in FY 2019-20 and expired as of June 30, 2022. Because it takes several months for the State Controller’s Office to finalize year-end numbers, they have agreed these funds that were initially considered “reverted” can be

reclassified and extended through FY 2022-23. Unspent appropriations in the Capital Construction Fund remain there and are used to reduce the amount of the General Fund transfer needed to fund the Capital Construction project list in the following year. The fund source for this project is \$397,370 from the Capital Construction Fund and \$397,370 federal funds.

**LAMAR COMMUNITY COLLEGE BUILDING ACCESS CONTROL
(SPENDING EXTENSION)**

	REQUEST	RECOMMENDATION
TOTAL	\$0	\$0
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.] **NO**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.] **NO**

Explanation: JBC staff discovered after CDC approval that the funds in question were encumbered prior to the close of FY 2021-22 and are therefore allowed to be paid out during FY 2022-23, rendering the request unnecessary.

DEPARTMENT REQUEST: Lamar Community College requested a one-year extension of spending authority for Phase I of its Building Access Control project under Section 24-75-111.5, C.R.S.

CDC APPROVAL: The Capital Development Committee approved the request on September 2, 2022.

STAFF RECOMMENDATION: Staff recommends that the Committee deny the request on the grounds that the funds for Phase I were encumbered prior the close of FY 2021-22 and can therefore be spent in FY 2022-23. The appropriation for Phase II funding has not yet expired. The State Controller’s Office agrees that no supplemental action is necessary.

STAFF ANALYSIS:

Phase I of the Lamar Community College Building Access Control (controlled maintenance) project received funding in S.B. 19-207 (Long Bill) for FY 2019-20 through FY 2021-22. The funds for Phase I were encumbered prior to the close of FY 2021-22, therefore no funding extension is necessary.

Phase II funding was provided in H.B. 20-1408 (Distribution of H.B. 20-1377 Capital Construction Fund Money) and remains available through FY 2022-23 per that legislation. However, the State Controller's Office has stated that the expenditure deadline for these funds is governed by the arbitrage deadlines for the Certificates of Participation issuance from which they originated. In this case, 85 percent of the funds must be spent by June 2, 2023 and 100 percent must be spent by June 2, 2025.

ARAPAHOE COMMUNITY COLLEGE HEALTH PROGRAMS INTEGRATION AND ANNEX BUILDING RENOVATION

	REQUEST	RECOMMENDATION
TOTAL	\$3,500,000	\$3,500,000
FTE	0.0	0.0
General Fund	0	0
Cash Funds	3,500,000	3,500,000
Federal Funds	0	0

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.] **YES**

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.] **YES**

Explanation: Arapahoe Community College recently received \$3.5 million in American Rescue Plan Act funds through a grant from Arapahoe County to increase the scope of its FY 2021-22 Health Programs Integration and Annex Building Renovation project. Staff agrees that this information was not available when the original appropriation was made and emergency supplemental action is necessary to allow construction of the project incorporating the additional funds to proceed while the General Assembly is not in session.

DEPARTMENT REQUEST: Arapahoe Community College (ACC) requests spending authority for an additional \$3.5 million cash funds, originating as American Rescue Plan Act funds received through Arapahoe County, for the FY 2021-22 Health Programs Integration and Annex Building Renovation project.

CDC APPROVAL: The Capital Development Committee approved the request on September 2, 2022.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the request.

STAFF ANALYSIS:

Arapahoe Community College received \$3.5 million through a grant from Arapahoe County's American Rescue Plan Act funds. The money is designated for the expansion of programs that address health care industry workforce shortages. The additional funding will expand the scope of an existing FY 2021-22 Capital Construction project for Health Programs Integration and Annex Building Renovation at ACC.

The additional funding will increase functionality of the original project through an increase of 26,167 assignable square feet in renovated space and technological investments in simulation facilities and IT infrastructure. With the new funding, ACC estimates it will be able to expand capacity from 150 to 300 students for the Nursing program and 90 to 300 for the Emergency Medical Services program.

INFORMATIONAL ITEM: CDC AND STATE ARCHITECT RESPONSE TO LETTER CONCERNING COST OVERRUNS

During the June meeting, the Joint Budget Committee requested that staff send a letter to the CDC and State Architect requesting comments on project cost overruns. As a result, State Architect Gerou gave a presentation on this topic at the September 2nd CDC meeting. Architect Gerou's comments are summarized in a letter from the CDC attached on the next page.



Capital Development Committee
State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521



September 14, 2022

Representative Julie McCluskie, Chair
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Representative McCluskie,

This letter responds to your letter dated August 18, 2022, concerning cost overruns for capital projects. The Capital Development Committee (CDC) discussed the issue during their September 2, 2022, meeting and heard from State Architect Cheri Gerou on her insights into the issue as well as recommendations going forward. The committee considered Architect Gerou's information and recommendations and agreed to continue to monitor the situation going forward. Committee members also expressed concerns about the impact cost overruns will have on addressing controlled maintenance issues and meeting the state's needs for programming capacity and workforce development.

An overview of Architect Gerou's points is as follows:

- Non-residential construction has declined by 2.4 percent since the beginning of the pandemic, while residential construction has risen by 6.5 percent;
- Construction employment in Colorado has seen a 3.5 percent growth. Despite this, the supply of construction workers has not met demand;
- From September 2020 to July 2022, there has been a 23.9 percent increase in bid prices for non-residential construction. This is the main issue facing state capital projects;
- The increase in bid pricing is primarily due to the labor shortage and an increase in the cost of materials;
- The costs of materials are significantly higher than pre-pandemic levels and this price increase is showing up in construction bid pricing. Some materials that were scarce early in the pandemic have seen a leveling off in pricing in recent months (steel, lumber, copper, and brass), while the prices for other materials (drywall and concrete) have continued to rise at a rate of about 14.4 percent per year. Steel prices saw an overall increase of 116 percent from April 2020 to July 2022;
- The Association of General Contractors' recommended response to these factors is flexibility in construction completion dates and stretching out the phasing of projects. The Office of the State Architect concurs with these recommendations;
- While the current increase in bid prices may feel different than the status quo, Architect Gerou stated that these increases are part of a larger trend of increased prices and overall

costs of living spanning the past few decades. While periods of steep increases can last several years, OSA believes prices will eventually settle down;

- OSA does not track each individual bidding process; rather they provide support to departments and institutions of higher education upon request. Architect Gerou clarified that they typically only hear from departments and institutions if they are having trouble with the process;
- To date, OSA is only aware of two capital projects facing significant budget constraints:
 - Auraria Higher Education Campus (AHEC)'s Campus-wide HVAC Infrastructure Replacement project, which the CDC approved on April 14, 2022; and
 - A second project which has not officially been submitted.
- Finally, Architect Gerou explained that the state has seen worse times in terms of capital funding, in which the Governor's Office of State Planning and Budgeting had to claw back unspent capital construction dollars. Architect Gerou believes that the state is nowhere close to experiencing that sort of event. Architect Gerou stated that agencies and higher education institutions are coping with this issue well, and given this outlook she is confident that the state will be able to effectively deal with the problem at hand.

As the situation is ongoing and evolving daily, CDC members resolved to gather additional data and continue monitoring the issue.

If you have any questions or concerns about the CDC's discussion, please call Bo Pogue, Legislative Council Staff, at 303-866-5390.

Sincerely,

Senator Tammy Story
Chair, Capital Development Committee

c: Capital Development Committee Members
Joint Budget Committee Members
Cheri Gerou, State Architect
Andrea Uhl, Joint Budget Committee Staff
Capital Development Committee Staff



Capital Development Committee

State Capitol Building, Room 029
 Denver, Colorado 80203-1784
 (303) 866-3521



September 14, 2022

Representative Julie McCluskie, Chair
 Joint Budget Committee
 200 East 14th Avenue, Third Floor
 Denver, CO 80203

Dear Representative McCluskie,

On September 2, 2022, the Capital Development Committee (CDC) considered one emergency supplemental request submitted pursuant to Section 24-75-111, C.R.S. and two nonmonetary supplemental extensions of time pursuant to Section 24-75-111.5, C.R.S. The CDC approved all three requests on votes of 6-0. Table 1 summarizes the requests. Descriptions of the approved requests are attached.

Table 1
Capital Development Committee Recommendation
Regarding Emergency Supplemental Requests

Department Name	Project Title	Project Short Description	Cost
Military and Veterans Affairs	Upgrade Restrooms for Code Compliance, Longmont Readiness Center	The nonmonetary supplemental extends the spending authority to complete the project by one year. A delay in sourcing and approving data associated with project design prevented the project from being completed within the statutory deadline. The project constructs new men's and women's restrooms at the Longmont Readiness Center to meet accessibility and building code requirements.	N/A Nonmonetary supplemental
Lamar Community College	Upgrade Interior and Exterior Building Access Control, Campuswide	The nonmonetary supplemental extends spending authority to complete the project by one year. The COVID pandemic and staffing turnover on the project resulted in several delays in project design and implementation. The two-phase project upgrades interior and exterior doors and locks for three campus buildings.	N/A Nonmonetary supplemental
Arapahoe Community College	Campus Commons	The request seeks additional cash funds spending authority to increase the scope of the project. The project uses state funds and cash funds to renovate 65,500 SF in the Annex Building on the Littleton Campus, which will allow for consolidation of the college's health programs. The college says the increased scope will address increased demand for programming.	\$3,500,000 CF

If you have any questions or concerns about the CDC's recommendation, please call Bo Pogue, Legislative Council Staff, at 303-866-5390.

Sincerely,

Senator Tammy Story
Chair, Capital Development Committee

c: Stephanie Fujii, Arapahoe Community College
Julia Fitzpatrick, Arapahoe Community College
Chad Debono, Lamar Community College
Patrick Brodhead, Colorado Community College System
Parker White, Department of Military and Veterans Affairs
Jennifer Henry, Office of the State Controller
Capital Development Committee Members
Amanda Bickel, Joint Budget Committee Staff
Andrea Uhl, Joint Budget Committee Staff
Capital Development Committee Staff

FY 2019-20 Emergency Supplemental Capital Construction Request

Military and Veterans Affairs

Upgrade Restrooms for Code Compliance, Longmont Readiness Center

MOTION

Approve the supplemental request from the Department of Military and Veterans Affairs to extend spending authority for the FY 2019-20 appropriation by six months.

GENERAL INFORMATION

2020-080

1. Which supplemental criterion does the request meet?

New Data

The department sought new data for design documentation; a delay in sourcing and approving these data prevented the project from being completed in the statutory timeframe.

2. Which projects will be restricted to fund the supplemental request?

No emergency restriction is required because no additional state funds are sought under the request.

3. Has the request been approved by OSPB and CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: SB19-207

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Costs</u>
CCF	\$397,370	\$0	\$0	\$397,370
FF	\$397,370	\$0	\$0	\$397,370
Totals	\$794,740	\$0	\$0	\$794,740

REASON FOR SUPPLEMENTAL REQUEST

Finalizing construction documents took longer than expected. Waiting for more updated facility usage data resulted in reduced code requirements, but prevented this phase of the project from being completed before the appropriation's spending authority expired.

SUMMARY OF PROJECT

The project constructs new men's and women's restrooms, including new ventilation and plumbing, at the Longmont Readiness Center to meet accessibility and building code requirements. In addition to not meeting code, the restrooms, which are original to the circa 1979 facility, are undersized and comprised of one bathroom and one shower; up to 140 soldiers, including 40 female soldiers, must use the restrooms during training periods.

QUESTIONS / OUTSTANDING ISSUES

None.

FY 2022-23 Capital Construction Supplemental Request

Lamar Community College

Upgrade Interior and Exterior Building Access Control, Campuswide

Motion:

Approve the supplemental request from Lamar Community College to extend cash funds spending authority for the Upgrade Interior and Exterior Building Access Control Campuswide project for 12 months.

GENERAL INFORMATION

2019-046

1. Which supplemental criterion does the request meet?

Unforeseen Contingency

The COVID-19 pandemic as well as staffing turnover at the project vendor resulted in several delays in the design and implementation phase of the project.

2. Which projects will be restricted to fund the supplemental request?

An emergency restriction is not required since no additional state funds are sought under the request.

3. Has the request been approved by OSPB and CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: SB 19-207

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Cost</u>
CCF	\$2,630,659	\$0	\$0	\$2,630,659
	\$2,630,659	\$0	\$0	\$2,630,659

REASON FOR SUPPLEMENTAL REQUEST

Lamar Community College (LCC) is requesting a 12-month extension to the cash funds spending authority for their Building Access Control controlled maintenance project. The COVID-19 pandemic prevented LCC's chosen vendor, Colorado Safe and Lock (CSL), from visiting the campus and completing the contract scope and design process. Once the contract scope and design process was close to completion, CSL experienced significant staff turnover and LCC's project was not properly transitioned over, leading to much of the design and development work needing to be redone entirely. LCC now has a contract in place with CSL that encompasses both Phases I and II of the project and they are requesting a 12-month extension so they can complete the project.

SUMMARY OF PROJECT

The two-phase project upgrades interior and exterior doors and locks for three buildings on campus. The existing building access controls are almost 50 years old. Phase I replaces the exterior doors and locks with an electronic locking system and Phase II replaces interior doors and locks.

FY 2022-23 Capital Construction Supplemental Request

Lamar Community College

Upgrade Interior and Exterior Building Access Control, Campuswide

Motion:

Approve the supplemental request from Lamar Community College to extend cash funds spending authority for the Upgrade Interior and Exterior Building Access Control Campuswide project for 12 months.

QUESTIONS / OUTSTANDING ISSUES

N/A

FY 2021-22 Supplemental Capital Construction Request

Arapahoe Community College Health Programs Integration and Annex Building Renovation

MOTION

Approve the supplemental request from Arapahoe Community College to expand the scope of the Health Programs Integration and Annex Building Renovation project and increase cash funds spending authority for FY 2021-22 (\$3,500,000 CF).

GENERAL INFORMATION

2020-038

1. Which supplemental criterion does the request meet?

Unforeseen Contingency

Indirect impacts of the COVID-19 pandemic have strained clinical resources for students in certain medical fields.

2. Which projects will be restricted to fund the supplemental request?

An emergency restriction is not required since no additional state funds are sought under the request.

3. Has the request been approved by OSPB and CCHE?

Yes

PRIOR APPROPRIATION AND SUPPLEMENTAL REQUEST INFORMATION

The appropriation to be amended was authorized in the following bill: SB21-205

<u>Fund Source</u>	<u>Prior Appropriations</u>	<u>Supplemental Request</u>	<u>Future Requests</u>	<u>Total Costs</u>
CCF	\$8,364,000	\$0	\$0	\$8,364,000
CF	\$2,788,093	\$3,500,000	\$0	\$6,288,093
Totals	\$11,152,093	\$3,500,000	\$0	\$14,652,093

REASON FOR SUPPLEMENTAL REQUEST

Arapahoe Community College (ACC) is requesting additional cash funds spending authority to increase the scope of renovations in its Annex Building. The COVID-19 pandemic restricted the availability of clinical opportunities for students in medical fields, resulting in a backlog of students needing these educational opportunities. The project renovates an additional 26,167 ASF of laboratory and simulation spaces and updates IT infrastructure. Funding comes from the American Rescue Plan Act; ACC has been selected as a grant recipient of recovery funds received by Arapahoe County to address healthcare industry workforce needs due to the pandemic.

FY 2021-22 Supplemental Capital Construction Request

Arapahoe Community College

Health Programs Integration and Annex Building Renovation

MOTION

Approve the supplemental request from Arapahoe Community College to expand the scope of the Health Programs Integration and Annex Building Renovation project and increase cash funds spending authority for FY 2021-22 (\$3,500,000 CF).

SUMMARY OF PROJECT

The project uses a combination of state funds and cash funds spending authority to renovate approximately 65,500 SF (39,400-GSF initially, plus 26,167 ASF in this request) in the Annex Building on the Littleton Campus. The project integrates the college's health programs, including Emergency Medical Services, Medical Assistant, Nursing, Nurse's Aid, and Physical Therapist Assistant. Specifically, the project includes:

- a health simulation suite and lobby, including simulation hospital, ambulance, urban, and domestic environments to mimic real-life experiences;
- a large EMS classroom;
- a PTA classroom;
- several general health classrooms and faculty offices;
- outdoor learning spaces and gardens;
- new fire protection and electrical systems, HVAC equipment, acoustic ceiling tiles, locker rooms, and restrooms;
- a computer networking classroom;
- remodeled business classrooms;
- a new service elevator to provide access between floors; and
- other support and storage spaces.

QUESTIONS / OUTSTANDING ISSUES

None.