



# Joint Budget Committee Staff

## FY 2016-17 Budget Briefing Summary

### *Capital Construction*

Colorado General Assembly  
Joint Budget Committee

The capital construction section of the Long Bill includes funding appropriated to state departments and institutions of higher education for capital construction and controlled maintenance. Capital construction appropriations are primarily supported by General Fund transferred to the Capital Construction Fund. The FY 2015-16 General Fund transfers to the Capital Construction Fund (\$271.3 million) represents 2.6 percent of FY 2015-16 General Fund revenues, based on the September 2015 Legislative Council Staff forecast.

## FY 2015-16 Appropriation and FY 2016-17 Request

		FY 2016-17 Capital Construction - OSPB Request				
		Total Funds	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>FY 2015-16 Appropriation</b>						
	SB 15-234 (Long Bill - Capital Construction)	\$257,092,622	\$153,872,618	\$103,027,066	\$0	\$192,938
	SB 15-234 (Long Bill - Controlled Maintenance)	<u>19,195,021</u>	<u>19,195,021</u>	<u>0</u>	<u>0</u>	<u>0</u>
	SB 15-234 (Long Bill – Building Capital Total)	276,287,643	173,067,639	103,027,066	0	192,938
	HB 15-1310 (DPW Acquire Real Property)	552,500	0	552,500	0	0
	HB 15-1333 (Regional Center Depreciation)	<u>730,510</u>	<u>730,510</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b>TOTAL</b>	<b>\$277,570,653</b>	<b>\$173,798,149</b>	<b>\$103,579,566</b>	<b>\$0</b>	<b>\$192,938</b>
<b>FY 2016-17 Requested Appropriation</b>						
<b>Priority</b>	<b>Prioritized Requests (state-funded)</b>					
<b>OSPB</b>	<b>CCHE</b>					
1	Level 1 Controlled Maintenance through score 4	10,250,821	10,250,821	0	0	0
2	DHS: MHI Suicide Risk Mitigation Phase III	1,867,586	1,867,586	0	0	0
3	DHS: DYC Facility Refurbishment Phase III	3,689,500	3,689,500	0	0	0
4	C1 HED: CSU Chemistry Bldg Addition	12,471,940	12,471,940	0	0	0
5	C3 HED: CMU Health Science Nurse Practitioner	11,735,212	9,230,212	2,505,000	0	0
6	C2 HED: MSU Aerospace Engineering Sciences	23,595,840	0	23,595,840	0	0
7	C4 HED: UNC Campus Commons	29,502,929	15,000,000	14,502,929	0	0
8	C5 HED: PCC Davis Academic Building Renovation	5,807,143	5,807,143	0	0	0
9	DHS: Adams YSC Replacement	3,000,000	3,000,000	0	0	0
10	HistCO: Georgetown Loop Business Cap. Program	400,000	300,000	100,000	0	0
11	OIT: Public Safety Communication Network Microwave Infrastructure Replacement	11,193,784	11,193,784	0	0	0
12	EDU: CSDB Jones and Palmer Halls Renovation	7,600,185	7,600,185	0	0	0
13	TRA: Highway Construction Projects	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b>Subtotal - Prioritized Requests</b>	<b>\$121,614,940</b>	<b>\$80,911,171</b>	<b>\$40,703,769</b>	<b>\$0</b>	<b>\$0</b>
<b>Non-prioritized Requests (100% cash-funded)</b>						
	AGR: Biochem Lab Facility Pesticide Lab	1,220,000	0	1,220,000	0	0
	DOC: CCI Small Projects	660,000	0	660,000	0	0

### FY 2016-17 Capital Construction - OSPB Request

	Total Funds	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds
HistCO: Regional Museum Preservation Projects	700,000	0	700,000	0	0
DHS: Regional Center Capital Improvements Phase 1 (CCF Depreciation Fund Request)	979,884	0	979,884	0	0
DNR: Land and Water Acquisitions, Wildlife	9,300,000	0	9,300,000	0	0
DNR: Park Infrastructure and Facilities, State Parks	19,837,320	0	19,837,320	0	0
DNR: Infrastructure and Real Property Maintenance, Wildlife	3,799,502	0	3,799,502	0	0
DNR: Land and Water Acquisitions, State Parks	950,000	0	950,000	0	0
DPS: CSP Loma Replacement Eastbound POE	<u>1,145,000</u>	<u>0</u>	<u>1,145,000</u>	<u>0</u>	<u>0</u>
<b>Subtotal - Non-prioritized Requests</b>	<b>38,591,706</b>	<b>0</b>	<b>38,591,706</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>\$160,206,646</b>	<b>\$80,911,171</b>	<b>\$79,295,475</b>	<b>\$0</b>	<b>\$0</b>
Percentage Change	(42.3%)	(53.4%)	(23.4%)	n/a	(100.0%)

## Summary of Issues Presented to the Joint Budget Committee

**First Take on Capital Construction Request:** The OSPB building capital prioritized request includes \$80.9 million from the Capital Construction Fund for 13 state-funded capital construction items including 12 continuation projects. Although prioritized as #1, at \$10.3 million, the controlled maintenance request reflects funding equal to 0.09 percent of the insured replacement value of all State buildings (\$10.9 billion). While it may be necessary to fund capital construction at a lower level because of revenue or budget constraints, it is not in the State's interest, in any year, to fund new buildings ahead of controlled maintenance.

**Prioritizing Controlled Maintenance:** State funding for controlled maintenance has declined over the period since FY 1998-99. The current replacement value of state buildings has increased by at least 126.4 percent, from \$4.8 billion in FY 1998-99 to \$10.9 billion in FY 2014-15. Spending less on controlled maintenance in a given year does not save the State money. It pushes the cost out to a future year and becomes an unfunded liability that will cost more from construction inflation or building system failure that may lead to additional system failures or loss of building use. But, unlike the base operating budget, controlled maintenance is prioritized within the capital construction budget as a discretionary, "new" funding item each year. The cost of maintaining current buildings should be prioritized as a commitment made when the decision is made to purchase a building.

**DHS Facilities:** Capital construction policymakers perceive that the condition of Department of Human Services (DHS) facilities and properties warrants exceptional attention. The new, statewide planning function in the Office of the State Architect (OSA) is expected to initially focus its efforts on DHS facility needs and make recommendations beginning in FY 2017-18. Related issues of current state funding limitations, alternative funding or financing options, and ongoing maintenance funding and stewardship of DHS properties should be addressed alongside OSA planning efforts before the State invests in substantial DHS facility upgrades and improvements.

**Capital Construction Funding for Institutions of Higher Education:** Institutions of higher education, as enterprises, are treated with a substantial degree of independence and limited legislative oversight. However

the current budget request process for capital construction leads to a "passive-aggressive" approach that spends institution resources on lobbying rather than efficiently managing capital assets. This approach is counter to proactive management suggested by their enterprise status and by the approach employed by institutions to secure auxiliary buildings and manage academic programs.

## For More Information

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**To read the entire briefing:** [http://www.tornado.state.co.us/gov\\_dir/leg\\_dir/jbc/2015-16/CAPbrf.pdf](http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/CAPbrf.pdf)