



JOINT BUDGET COMMITTEE STAFF FY 2018-19 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Capital Construction

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 2017-18 General Fund transfers to the Capital Construction Fund (\$90.2 million) represents 1.0 percent of FY 2017-18 General Fund revenues, based on the September 2017 Legislative Council Staff forecast.

FY 2017-18 APPROPRIATION AND FY 2018-19 REQUEST

		Capital Construction				
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
FY 2017-18 APPROPRIATION:						
FY 2017-18 Long Bill (H.B. 17-254)		124,591,439	72,056,813	42,069,361	10,000,000	465,265
TOTAL		\$124,591,439	\$72,056,813	\$42,069,361	\$10,000,000	\$465,265
FY 2018-19 PRIORITIZED REQUESTS (STATE-FUNDED) REQUESTED APPROPRIATION:						
Priority						
OSP	CCHE					
1		Level I Controlled Maintenance	15,130,478	15,130,478	0	0
2		DHS: DYC Adams YSC Replacement (ph. 3 of 3)	15,499,760	15,499,760	0	0
3		DHS: DYC Facility Refurbishment (ph. 5 of 6)	5,904,772	5,904,772	0	0
4		GOV-OIT: Microwave Infrastructure Replacement	10,316,372	10,316,372	0	0
5		GOV-OIT: Public Safety Communications Network - Microwave Software Upgrade	7,184,143	7,184,143	0	0
6	1	HED: CSM Green Center Roof Replacement (CR)	13,183,586	6,591,793	6,591,793	0
7		DOC: AVCF Fire Alarm System Replacement	2,543,505	2,543,505	0	0
8		DHS: Grand Junction Regional Center Move	6,673,932	5,499,182	1,174,750	0
9	2	HED: FRCC Larimer Campus Health Care Career Center	18,841,895	14,118,684	4,723,211	0
10	2	HED: UC-Denver CU Anschutz - Center for Personalized Medicine and Behavioral Health	156,659,999	12,346,906	144,313,093	0
11	3	HED: CMU Health Sciences Phase II	5,183,238	4,302,087	881,151	0
12	n/a	HED: CSU Water Resources Center and NWC Land Acquisition Program Plan	0	0	0	0

Capital Construction					
	TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
SUBTOTAL - Prioritized Requests	\$257,121,680	\$99,437,682	\$157,683,998	\$0	\$0
FY 2018-19 NON-PRIORITIZED REQUESTS (100% CASH-FUNDED) REQUESTED APPROPRIATION:					
DHS: VCLC Homelake McCandless Fall Prevention, Fire Control, Video	781,900	0	781,900	0	0
DHS: DRCO Depreciation Fund Capital Improvements	728,271	0	728,271	0	0
DHS: VCLC Fitzsimons Infrastructure Upgrades	343,812	0	343,812	0	0
DHS: VCLC Rifle Infrastructure Upgrades	269,189	0	269,189	0	0
DOC: CCI Small Projects	660,000	0	660,000	0	0
HistCO: Regional Property Preservation Projects	700,000	0	700,000	0	0
DNR: Wildlife Infrastructure	6,859,315	0	6,859,315	0	0
DNR: Parks - Land and Water Acquisitions	1,400,000	0	1,400,000	0	0
DNR: Parks Infrastructure and Facilities	16,805,025	0	16,805,025	0	0
SUBTOTAL - Non-prioritized Requests	\$28,547,512	\$0	\$28,547,512	\$0	\$0
TOTAL	\$285,669,192	\$99,437,682	\$186,231,510	\$0	\$0
INCREASE/(DECREASE)	\$161,077,753	\$27,380,869	\$144,162,149	(\$10,000,000)	(\$465,265)
Percentage Change	129.3%	38.0%	342.7%	n/a	(100.0%)

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

S.B. 17-267 COLLATERALIZATION OF STATE BUILDINGS REQUIREMENTS AND PROCESS UPDATE: Part 13 of Article 82 of Title 24, C.R.S., enacted in S.B. 17-267, specifies steps for the collateralization of state buildings and repayment for the purpose of funding deferred maintenance of state capital assets and to accelerate the completion of high-priority state highway projects. Statute requires that up to \$2.0 billion in state buildings be collateralized through lease-purchase agreements over four years with 20 years of annual repayments of up to \$150.0 million. The first \$120.0 million in proceeds is intended for controlled maintenance and capital construction and the balance of \$1.88 billion for highway projects.

REPEAL DEPRECIATION PAYMENTS TO THE CMTF: Section 24-30-1310, C.R.S., enacted in S.B. 15-211, requires depreciation-lease equivalent payments from the General Fund to the Capital Construction Fund and the Controlled Maintenance Trust Fund for state-funded capital construction projects. The Controlled Maintenance Trust Fund was established to provide a consistent source of revenues to fund controlled maintenance from interest earnings. However, the Controlled Maintenance Trust Fund is also a designated state emergency reserve which allows the Governor to draw from the principal for emergency declarations. Primarily due to draws for emergencies and due to

the low interest rate environment since 2008, the reduced principal in the Controlled Maintenance Trust Fund has not generated interest earnings to significantly or consistently fund controlled maintenance.

REPEAL GENERAL FUND RESERVE EXEMPTION FOR COP PAYMENTS: The Governor has requested that the General Fund reserve be increased from 6.5 percent to 7.0 percent to better prepare for a future recession. Payments for COPs included in the operating budget are exempt from the calculation of the General Fund Reserve. This exemption was added in 2015 to move COP payments from the capital budget where transfers to the Capital Construction Fund are exempt from the General Fund reserve. It may be appropriate to reconsider the exemption at a time when the reserve percentage might be increased at a much greater cost.

S.B. 14-110 REQUIREMENT TO DEVELOP RECOMMENDATIONS FOR NEW METHODS OF FINANCING CAPITAL CONSTRUCTION: Section 2-3-203 (1)(g), C.R.S., enacted in S.B. 14-110, requires the JBC, in consultation with the Capital Development Committee (CDC), to develop and make recommendations concerning new methods of financing the state's ongoing capital construction, capital renewal, and controlled maintenance needs.

PROPOSE A CAPITAL ASSET MANAGEMENT AND FINANCE AUTHORITY: The proposal for the creation of a capital asset management and finance authority for state agency buildings would satisfy the requirement that the JBC develop and make recommendations concerning new methods of financing the State's ongoing capital construction-related needs. The authority would be structured as an independent enterprise charged with a primary goal of maximizing the value of capital assets under management. The authority would be responsible for the lifecycle management of its portfolio of state buildings through the finance, construction, controlled maintenance, renovation, and demolition or sale of capital assets. The authority would lease buildings to state agencies for long-term (near-lifecycle) periods, hold ownership of capital assets in trust for the State, and return to the State, a majority of any realized profits on each building at the end of its lifecycle.

PROPOSE DISTINCT HIGHER EDUCATION CAPITAL CONSTRUCTION FUNDING: Institutions of higher education hold 73.2 percent of the state's building inventory. In comparison to state agencies, institutions of higher education, as enterprises, are treated with a substantial degree of independence and have access to multiple sources of revenue beyond state funding. Institution of higher education building projects follow a separate request and approval process as established through the Colorado Commission on Higher Education (CCHE). In order to more effectively manage capital construction budgeting for state agency buildings, it may be appropriate to consider a separate and distinct system or model for capital construction funding and budgeting for institutions of higher education.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2018-19_capbrf.pdf