

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BRIEFING FY 2023-24

## CAPITAL CONSTRUCTION

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

PREPARED BY:  
ANDREA UHL, JBC STAFF  
DECEMBER 12, 2022

JOINT BUDGET COMMITTEE STAFF  
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203  
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472  
<https://leg.colorado.gov/agencies/joint-budget-committee>

# CONTENTS

Capital Construction Overview .....	1
Capital Construction Budget:.....	6
Recent Appropriations .....	6
Capital Construction: Graphic Overview .....	7
General Factors Driving the Budget.....	9
Summary: FY 2022-23 Appropriation & FY 2023-24 Request.....	14
Issue: Continuation Phases of Higher Education Projects Not Recommended.....	19
Recommendation.....	19
Discussion.....	19
Appendix A Footnotes and Information Requests.....	A-1

## ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2021 and 2022 legislative sessions that had a fiscal impact on this department are available in Appendix A of the annual Appropriations Report: <https://leg.colorado.gov/sites/default/files/fy22-23apprept.pdf>

The online version of the briefing document may be found by searching the budget documents on the General Assembly’s website by visiting [leg.colorado.gov/content/budget/budget-documents](https://leg.colorado.gov/content/budget/budget-documents). Once on the budget documents page, select the name of this department's *Department/Topic*, "Briefing" under *Type*, and ensure that *Start date* and *End date* encompass the date a document was presented to the JBC.

# CAPITAL CONSTRUCTION

## CAPITAL CONSTRUCTION OVERVIEW

The capital construction section of the Long Bill includes appropriations to state departments and higher education institutions for capital construction and controlled maintenance projects.

- Capital construction is defined in Section 24-30-1301 (2), C.R.S., and includes acquisition of a capital asset or disposition of real property, construction or demolition of buildings or other physical facilities, site improvement or development, initial purchase and installation of related equipment, and architectural and engineering services for capital projects.
- Controlled maintenance is defined in Section 24-30-1301 (4), C.R.S., and includes corrective repairs or replacement for existing real property "when such work is not funded in an agency's or state institution of higher education's operating budget." Pursuant to Section 23-1-106 (10.2), C.R.S., higher education academic facilities, even if constructed using solely cash funds for buildings constructed prior to July 1, 2018, are also eligible for state controlled maintenance funding.
- Capital renewal is defined in Section 24-30-1301 (3), C.R.S., and includes a controlled maintenance project or multiple controlled maintenance projects with costs exceeding \$2.0 million for corrective repairs or replacement that is more cost effective than smaller, individual controlled maintenance projects. Although capital renewal projects are large or bundled controlled maintenance projects, they are submitted and prioritized as capital construction requests for new projects rather than included in the controlled maintenance section of the capital construction budget.

Some key differences between capital construction and operating budget appropriations:

- Pursuant to Section 24-37-304 (c.3) and (c.5), C.R.S., the executive request is first submitted to the Capital Development Committee (CDC). Part 13 of Article 3 of Title 2, C.R.S., outlines responsibilities of the CDC. Pursuant to these provisions, the CDC is responsible for submitting written reports with recommendations to the JBC. Pursuant to Section 2-3-203 (b.1), C.R.S., the JBC is responsible for making capital construction appropriation recommendations. However, statute requires that if the JBC wishes to prioritize capital projects differently from the CDC, it must meet with the CDC prior to making such recommendations to the Appropriations Committees.
- Senate Joint Resolution 14-039 added guidelines and threshold amounts for the categorization of operating, capital, and IT budget requests. Joint Rule 45 was added to legislative rules rather than statute to provide greater flexibility for revising guidelines and threshold amounts for categorizing budget requests. Joint Rule 45 defines operating, capital, and IT budget requests and specifies that these categories of budget request are reviewed by the JBC, CDC, and the JTC, respectively. It

also establishes a generally open referral process for requests that may be more appropriately reviewed by another committee.

- The majority of capital construction funding in the Long Bill originates as General Fund, transferred into the Capital Construction Fund (CCF), from which Long Bill appropriations for capital projects are made. *FY 2022-23 is an exception, with most funding originating as federal Coronavirus State Fiscal Recovery funds (ARPA funds) and appropriated directly from the Revenue Loss Restoration Cash Fund.*
- Capital construction appropriations become available upon enactment of the Long Bill. If a project is initiated within the fiscal year through the encumbrance of spending authority, the appropriation remains available for a period of three years for completion of the project. The three-year appropriation was first (and is still) authorized in the head notes of the capital construction section of the Long Bill. The three-year appropriation was codified in statute in Section 24-75-303 (5), C.R.S., which was added in a CDC bill, H.B. 18-1371 (Capital Construction Budget Items). Because a supplemental appropriation amends the original Long Bill appropriation, supplemental appropriations or other non-monetary adjustments to a project in following years did not automatically extend the three-year appropriation. However, H.B. 18-1371 codified Long Bill head notes in statute and specified that appropriations spending authority is automatically extended for three years for any project receiving a supplemental appropriation, regardless of need.
- Although controlled maintenance projects receive line-item appropriations, pursuant to Section 24-30-1303.7, C.R.S., the Executive Director of the Department of Personnel, whose authority is delegated to the State Architect, has authority to transfer funds from one controlled maintenance project to another when the actual cost of a project exceeds the amount appropriated or when an emergency need arises. Pursuant to Section 24-75-302 (3.2), C.R.S., the State Architect is annually appropriated an amount (typically \$2.0 million) from the Emergency Controlled Maintenance Account within the Capital Construction Fund.

## SIGNIFICANT LEGISLATION

### **S.B. 22-239 BUILDINGS IN THE CAPITOL COMPLEX**

Diverts statutorily-required appropriations for the depreciation – lease equivalent payment mechanism for FY 2022-23 through FY 2028-29 to the Capitol Complex Renovation Fund for capital construction renovation projects in the Capitol Complex. These payments predominantly originate from the General Fund and are otherwise made to the Capital Construction Fund and Controlled Maintenance Trust Fund. Transfers \$18.6 million from the Capitol Complex Master Plan Implementation Fund to the Capitol Complex Renovation Fund on September 1, 2022. Appropriates \$26.7 million from the Capitol Complex Renovation Fund to the Department of Personnel and Administration in FY 2022-23. Beginning July 1, 2023, whenever a state agency terminates a lease for private space, it must calculate the annual reduction in its costs for the leased space. These savings must be transferred to the Capital Construction Fund each year starting in FY 2023-24 until the total equals the amount transferred into the Capitol Complex Renovation Fund as a result of this bill.

### **H.B. 21-1174 TRANSFER S.B. 20-219 COP ISSUANCE PREMIUM TO CCF**

Senate Bill 20-219 directed the Department of the Treasury to execute a lease-purchase agreement to fund certain capital construction projects. Due to favorable market conditions, the sale resulted in

excess proceeds. Upon passage, for FY 2020-21, the bill transfers this \$12.0 million premium from the Emergency Controlled Maintenance Account to the Capital Construction Fund, and allows it to be used for any capital construction, capital renewal, or controlled maintenance projects by March 1, 2024.

**H.B. 21-1274 UNUSED STATE-OWNED REAL PROPERTY BENEFICIAL USE**

Requires the Department of Personnel to create and maintain an inventory of unused state-owned real property and to determine whether the unused state-owned real property identified is suitable for construction of affordable housing or placement of renewable energy facilities, or if such property is suitable for other purposes. Defines unused state-owned real property as real property owned by or under the control of a state agency, not including the Division of Parks and Wildlife in the Department of Natural Resources and not including the State Board of Land Commissioners or any state institution of higher education.

Authorizes the Department of Personnel to seek proposals from and enter into contracts with qualified developers to construct affordable housing, child care facilities, residential mental and behavioral health care facilities, or to place renewable energy facilities on unused state-owned real property that the Department has deemed suitable. Budget requests for those purposes must be made through the current budgetary process; except that budget requests may not be made through a request for a supplemental appropriation. Prior to entering into contracts, the department must first submit a report to Capital Development Committee (CDC) that outlines the anticipated use of the property. The department may not enter into contracts without the approval of the CDC and subject to available appropriations.

Creates the Unused State-owned Real Property Cash Fund to which the state treasurer is required to credit all proceeds from the sale, rent, or lease of unused state-owned real property.

**S.B. 20-219 LEASE-PURCHASE ISSUANCE FOR CAPITAL CONSTRUCTION**

Requires the state treasurer to execute a lease-purchase agreement of up to \$65.5 million to fund the continuation of previously funded capital construction projects for institutions of higher education. Requires the Capital Development Committee to publish the list of projects to be funded by August 15, 2020. Requires any additional revenue received from the issuance to be credited to the State Architect's Emergency Controlled Maintenance Account. Specifies annual payments of no more than \$5.5 million to begin no earlier than July 1, 2022 (FY 2022-23). The bill does not make appropriations.

**H.B. 20-1377 FUND CONTROLLED MAINTENANCE PROJECTS**

Directs up to \$49.0 million of the proceeds in excess of \$500 million from issue of the second tranche of S.B. 17-267 lease-purchase agreements to the Capital Construction Fund for controlled maintenance projects. Under the original terms of S.B. 17-267 all proceeds from the lease-purchase issue would have gone to the Colorado Department of Transportation (CDOT). This is a budget balancing bill that provided up to \$49.0 million of revenue for state controlled maintenance projects in FY 2020-21 that would otherwise have gone to CDOT.

**H.B. 20-1408 DISTRIBUTION OF H.B. 20-1377 CAPITAL CONSTRUCTION FUND MONEY**

Appropriates for FY 2020-21, a total of \$49.0 million from proceeds deposited in the Capital Construction Fund pursuant to H.B. 20-1377 *Fund Controlled Maintenance Projects* as follows:

- Appropriates \$34,098,768 from the Capital Construction Fund for Level I controlled maintenance projects as included in the table in the bill, representing current and out-year costs of all Level I controlled maintenance projects included in the State Architect's prioritization list.
- Appropriates \$3,826,172 total funds, including \$3,779,372 Capital Construction Fund and \$46,800 cash funds from institutional funds specified for construction projects, to the University of Northern Colorado for the Boiler #3 Replacement capital renewal project.
- Appropriates \$2,819,630 Capital Construction Fund to Adams State University for the Plachy Hall HVAC Upgrade and Replacement capital renewal project.
- Appropriates any remaining money to the State Architect's Emergency Controlled Maintenance Account. This appropriation is estimated to be \$8,302,230 of the maximum of \$49.0 million in proceeds from H.B. 20-1377.

**H.B. 20-1398 MODIFY AUTOMATIC FUNDING MECHANISM FOR CAPITAL CONSTRUCTION**

Suspends the annual depreciation-lease equivalent payment mechanism, defined in Section 24-30-1310 (1)(a), C.R.S., for FY 2020-21. Also exempts the Legislative Department Cash Fund and the Redistricting Account in the Legislative Department Cash Fund from capital reserve requirements related to depreciation-lease equivalent payments. Decreases General Fund appropriations for the annual depreciation-lease equivalent payment in six departments by \$7,561,261, for FY 2020-21, as follows:

ANNUAL DEPRECIATION-LEASE EQUIVALENT PAYMENT APPROPRIATION ADJUSTMENTS FOR FY 2020-21	
DEPARTMENT	GENERAL FUND
Corrections	(\$307,843)
Higher Education	(3,461,717)
Human Services	(3,103,396)
Military and Veterans Affairs	(87,994)
Personnel	(566,806)
Public Health and Environment	(33,505)
<b>Total</b>	<b>(\$7,561,261)</b>

Other significant pieces of legislation related to the Capital Construction budget and funding processes include:

- House Bill 18-1374 (Controlled Maintenance Financed Acquired Property) eliminates the eligibility of buildings financed through lease-purchase agreements, such as certificates of participation (COPs), to receive future state funding for controlled maintenance. The bill requires any future legislation authorizing the issuance of COPs to acquire, construct, or renovate state buildings to include a requirement that a state agency or institution of higher education present a plan for funding future controlled maintenance to the Capital Development Committee. The plan must be presented the December or January before the 16th year after the acquisition or substantial completion of a project financed through a lease-purchase agreement. The plan should assess the controlled maintenance needs of the facility for the next 25 years and may include a request for an additional lease-purchase agreement or a request for state funding. An approved

plan must be enacted through a bill, other than the Long Bill or a supplemental bill, unless the plan is from a higher education institution to pay for controlled maintenance from cash funds.

- Senate Bill 17-267 (Sustainability of Rural Colorado) requires the State to collateralize state buildings through the use of lease purchase agreements in increments of up to \$500.0 million per year beginning in FY 2018-19 for four years (up to \$2.0 billion in total). The first \$120 million from FY 2018-19 proceeds is statutorily allocated for controlled maintenance (\$113.9 million) and capital construction (\$6.1 million). The balance of the proceeds (up to \$1.82 billion) are allocated for highway construction.

Section 23-1-106 (10.2)(a)(III), C.R.S., also added in S.B. 17-267, specifies that academic buildings acquired or constructed solely from institutional cash funds after July 1, 2018, are not eligible for state controlled maintenance funding. Prior to this provision and date, all academic buildings, whether or not funded with state funds, are eligible for state controlled maintenance funding.

- Senate Bill 15-211 (Automatic Funding for Capital Assets) established in Section 24-30-1310, C.R.S., created a recapitalization *sinking fund* mechanism to route annual depreciation of capital construction projects into the Capital Construction Fund for projects funded beginning in FY 2015-16. Depreciation-lease equivalent payments are included in department operating budgets for this purpose.
- Senate Bill 15-270 (Create the Office of State Architect) codified the Office of the State Architect and created a statewide planning function in the Office. Pursuant to Section 24-30-1311, C.R.S., the statewide planning function provides centralized planning services for state agencies, provides a technical review of capital construction requests from state agencies for project readiness, and makes recommendations on capital construction and capital renewal project requests made by state agencies for the Governor's Office of State Planning and Budgeting (OSPB).
- House Bill 15-1344 (Fund National Western Center and Capital Construction Projects) repurposed the annual expenditure (\$20.0 million) previously used for lease payments for COPs issued to finance the construction of the Centennial Correctional Facility expansion project. Effective July 1, 2019, authorizes the State Treasurer to enter into one or more lease-purchase agreements on behalf of Colorado State University (CSU) for a period of up to 20 years to construct facilities at the National Western Center and the CSU main campus. Creates two funds consisting of transfers from the General Fund:
  - the National Western Center Trust Fund to make annual lease-purchase payments; and
  - the Capitol Complex Master Plan (CCMP) Implementation Fund to fund projects included in the CCMP, subject to the standard capital project review and approval process.

Beginning in FY 2019-20, authorizes an annual General Fund transfer of up to \$20 million to the National Western Center Trust Fund to make annual lease-purchase payments for the term of the COPs. Beginning in FY 2019-20, also authorizes a General Fund transfer to the CCMP Implementation Fund and a potential transfer to the Controlled Maintenance Trust Fund (CMTF). If COPs have been issued on behalf of CSU projects, the amount transferred to the CCMP Implementation Fund will represent the difference between \$20 million and the annual lease purchase payment. However, if no COPs have been issued, the bill authorizes a \$10 million

General Fund transfer to the CCMP Implementation Fund and \$10 million General Fund transfer to the CMTF each year until a lease-purchase payment is due. Limits the total amount transferred to the CCMP Implementation Fund to \$80 million.

**CAPITAL CONSTRUCTION BUDGET:  
RECENT APPROPRIATIONS**

FUNDING SOURCE	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24 *
Capital Construction Fund	\$73,543,768	\$221,617,703	\$7,946,375	\$229,050,634
Cash Funds	\$67,836,641	80,079,276	556,495,722	175,158,999
Reappropriated Funds	0	1,800,000	0	0
Federal Funds	\$31,492,456	3,092,683	1,765,330	0
<b>TOTAL FUNDS</b>	<b>\$172,872,865</b>	<b>\$306,589,662</b>	<b>\$566,207,427</b>	<b>\$404,209,633</b>

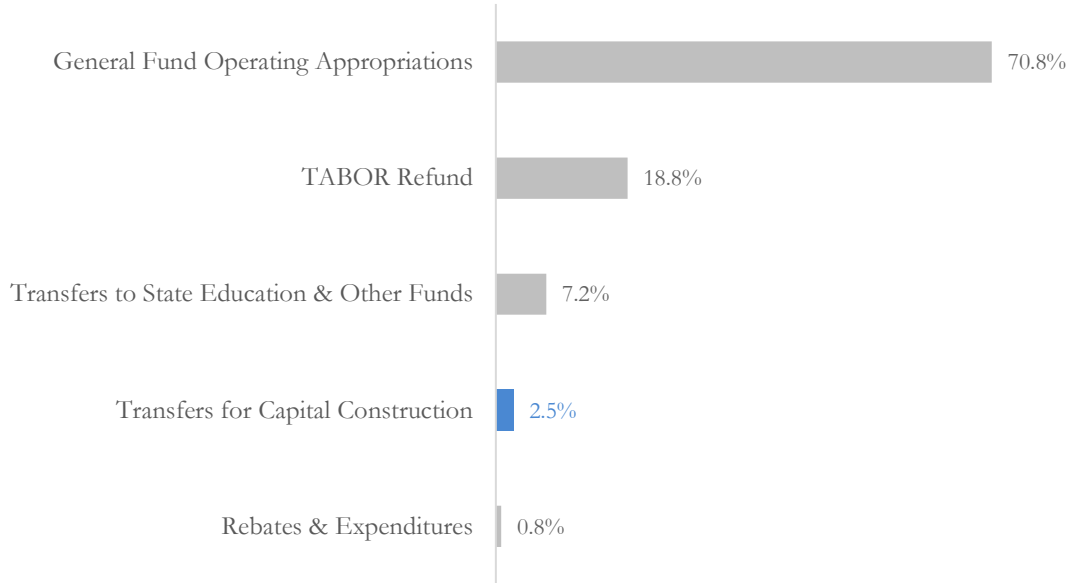
\*Requested appropriation

Capital projects in the FY 2022-23 Long Bill were primarily funded from the Revenue Loss Restoration Cash Fund, originating as federal Coronavirus State Fiscal Recovery funds (ARPA funds).



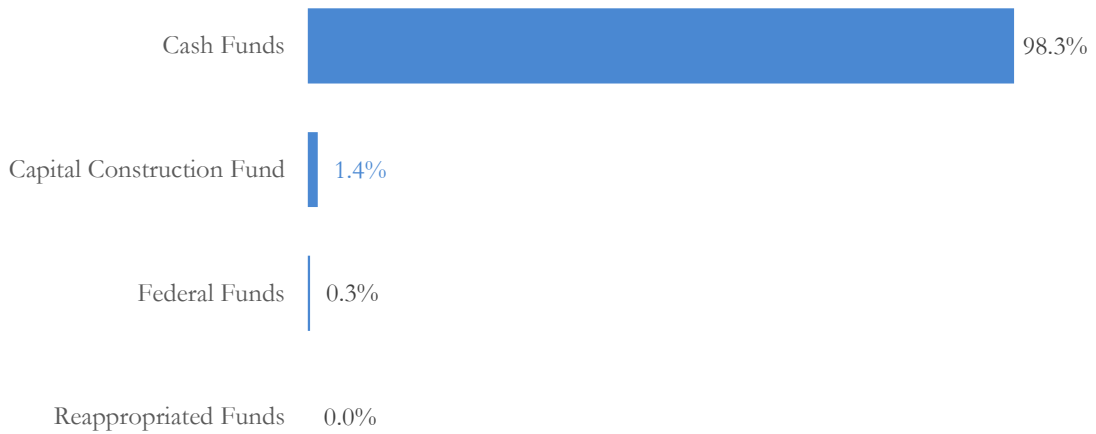
# CAPITAL CONSTRUCTION: GRAPHIC OVERVIEW

## LCS September 2022 General Fund Overview



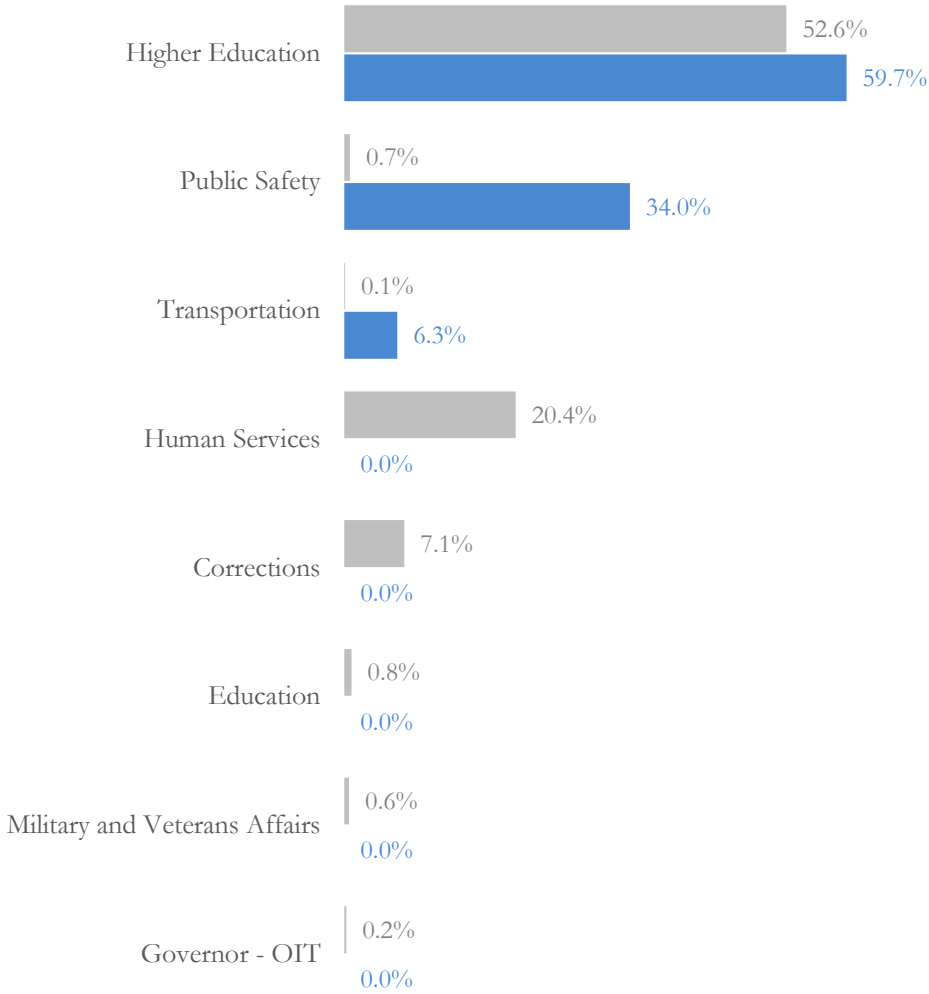
Based on the FY 2022-23 Appropriation.

## Capital Construction Funding Sources



Based on the FY 2022-23 Appropriation.

## Distribution of Funds by Department



Based on the FY 2022-23 Appropriation.

## GENERAL FACTORS DRIVING THE BUDGET

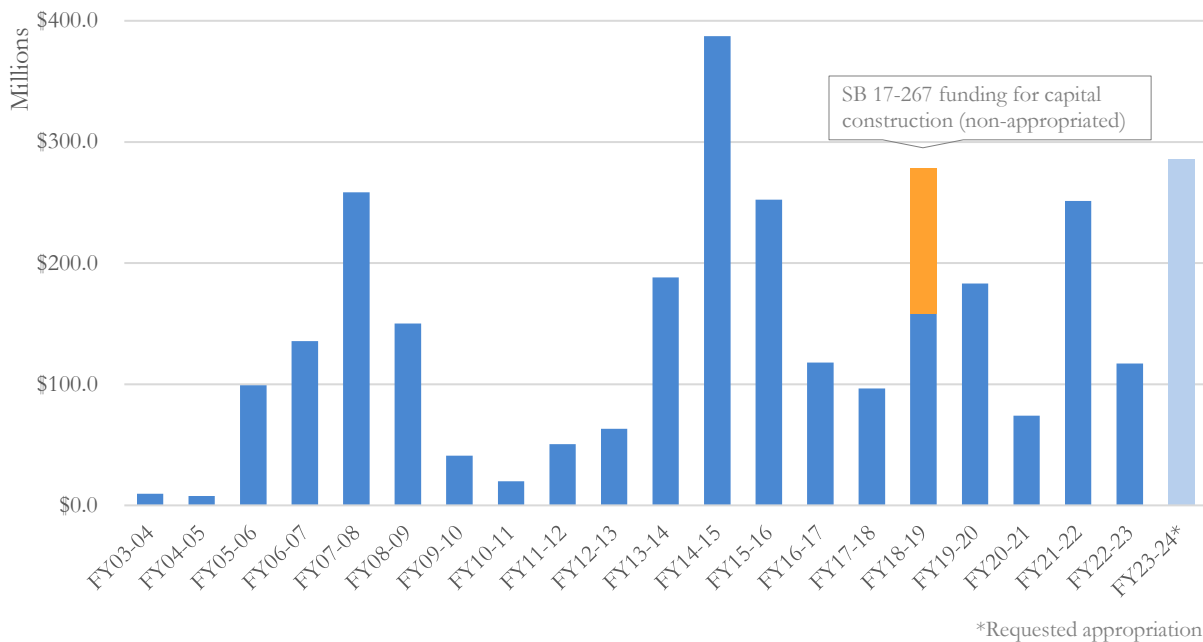
Capital Construction funding for FY 2022-23 consists of 98.3 percent cash funds, 1.4 percent Capital Construction Fund, and 0.3 percent federal funds. The primary budget driver of the Capital Construction budget is General Fund revenue available in any given year.

### REVENUE AVAILABLE FOR CAPITAL CONSTRUCTION

Transfers to the Capital Construction Fund from the General Fund vary substantially from year-to-year. The amount appropriated for capital construction is based on the Governor's request, Capital Development Committee recommendations, and the most recent forecast of revenues available given constitutional, statutory, and other budget constraints.

General Fund transfers to the Capital Construction Fund are not necessarily equal to appropriations from the Capital Construction Fund due to annual interest earnings and reversions experienced within the Capital Construction Fund, as well as other funds transferred into the Capital Construction Fund for specified appropriations. Additionally, some state funds may be transferred into cash funds, pursuant to statute, and identified in the budget as cash funds. Nevertheless, appropriations from the Capital Construction Fund are the best data point available over time to track and measure the state-funded commitment for capital construction. The following chart outlines appropriations from the Capital Construction Fund (including IT projects) since FY 2003-04.

Historical Capital Construction Fund Appropriations



The FY 2018-19 amount includes appropriations as well as the statutory state funding enacted in S.B. 17-267. The 20-year average CCF appropriation is \$133.1 million and the 10-year average is \$182.6 million. However, the 5-year average of \$156.8 million is more representative of the current state funding practice following the substantial amounts provided from FY 2013-14 through FY 2015-16 intended to "catch up" funding following the 2008 economic downturn.

Higher education projects that are not state-funded (funded entirely through institutional cash and federal funds) are not included in state appropriation bills. Higher education cash-funded capital construction projects that exceed \$2.0 million, as well as all controlled maintenance and capital renewal projects that exceed \$10.0 million, are subject to legislative approval for construction from the Capital Development Committee (but not the JBC). Higher education requests for access to financing through the revenue bond intercept program require CDC and JBC approval.

## PRIORITIZING CONTROLLED MAINTENANCE AND RECAPITALIZATION

The capital budget process primarily differs from the operating budget process in that budgeting for state agency programs begins from a base which is incrementally adjusted annually, whereas items in the capital budget are considered discretionary, new decision items. While the Governor's request provides a total amount that guides the general scale of annual funding for capital construction, the decision on the margin, or on setting the line for funding, is generally made after prioritizing base operating budget items.

As a budget principle, new construction and real property purchases – referred to as *capital expansion* in the Long Bill – should be addressed as discretionary, new request items. Whereas, controlled maintenance represents the ongoing upkeep of the existing building inventory. That inventory represents state budget decisions previously made to purchase and own buildings and property. However, new construction is prioritized alongside and sometimes ahead of controlled maintenance. The cost of maintaining existing buildings should be considered as a commitment made at the time the decision to purchase and own a building is made.

Building systems experience both a physical life and an economic life. The physical life is the period until system failure. The economic life is the point at which the annual lifecycle cost of maintaining the existing system exceeds the annual lifecycle cost of a replacement system. Therefore, the discretionary budget decision to spend less on controlled maintenance in a given year does not necessarily save the State money and often increases facility costs. Instead, not funding the timely replacement of state building systems:

- drives a higher cost in facilities management operating budgets due to increased annual repair, maintenance, and utility costs for deteriorating and inefficient building systems;
- increases future year capital costs due to construction inflation, collateral building system failure, and premature facility deterioration; and
- reduces state agency program effectiveness, particularly when deterioration leads to the unscheduled loss of use of facilities.

*Capital renewal* is defined in Section 24-30-1301 (3), C.R.S., as a controlled maintenance project or group of projects with costs exceeding \$2.0 million in a fiscal year. *Renovation* projects are typically identified as capital construction rather than capital renewal because they include improvement in program space and may also include space additions. While new space in a renovation project is properly characterized as "new construction", a renovation project will also include replacement of existing building systems or subsystems that would otherwise require replacement through controlled maintenance. The term *recapitalization* is used in the Long Bill to categorize renovation projects alongside capital renewal, as both types of projects improve the existing building stock.

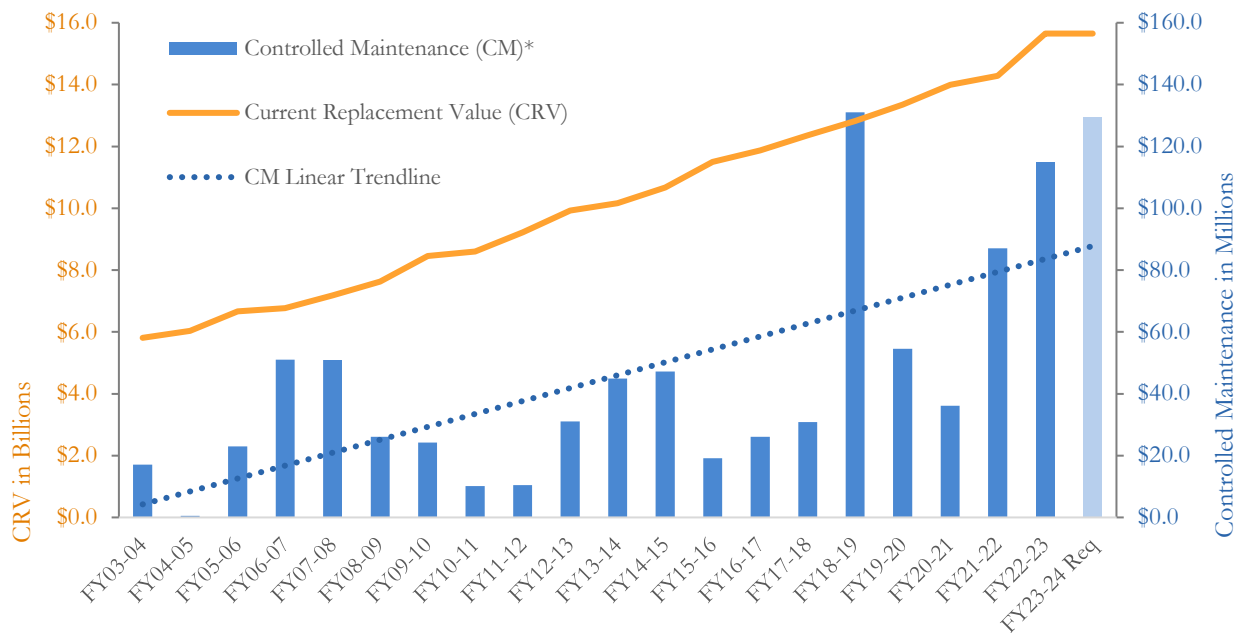
While the terms *repair* and *maintenance* are sometimes used in connection with controlled maintenance projects, ongoing repair and maintenance of systems or subsystems are typically provided by day-to-day facilities management operations and paid for within the annual facility operating cost for a building. Repair and maintenance is an annual process, while controlled maintenance, capital renewal, and renovation provide benefits expected to last beyond a year.

Historically, the State Architect's annual report has included the following recommendation:

*Industry standards continue to emphasize that without an annual Reinvestment Rate (RR) of 3% to 4% of the Current Replacement Value (CRV) of a building inventory, conditions cannot be upgraded or maintained at acceptable levels and will continue to deteriorate (Reference: APPA, American Association of Higher Education Facilities Officers, report titled Capital Renewal and Deferred Maintenance Programs 2009). Concurrently, the Office of the State Architect has recommended as a goal that approximately 1% of the CRV of the State's general funded and academic building inventory be appropriated for Controlled Maintenance on an annual basis to address planned major maintenance and repairs throughout the building inventory and that an additional goal of 1% - 3% of the CRV be appropriated for Capital Renewal/Renovation to address upgrading overall conditions of existing state owned facilities.*

The following chart reflects controlled maintenance (CM) funding compared to current replacement value (CRV) since FY 2003-04.

Controlled Maintenance Funding Compared to Current Replacement Value



\*Controlled Maintenance scale is equal to 1.0 percent of CRV scale

The CRV scale, represented in billions, is shown on the left side of the chart with values reflected in the orange line. The CM scale, represented in millions, is shown on the right side of the chart with values reflected in the blue bars. The CM scale is set equal to 1.0 percent of the CRV scale. Controlled maintenance spending in any year that is equal to 1.0 percent of current replacement value would be

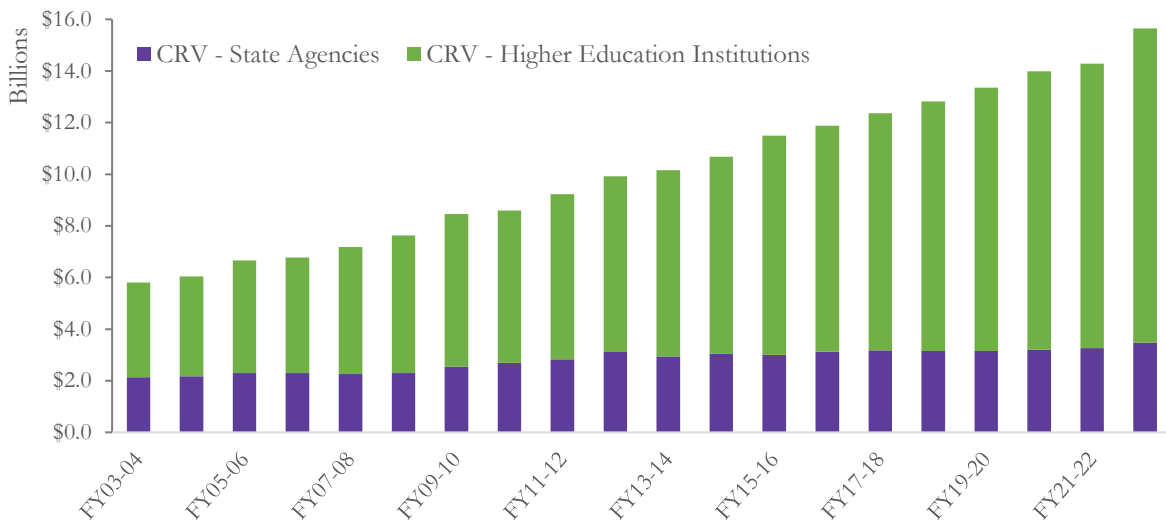
reflected in the chart as equal to CRV. The space between the bars and the orange line represents the difference between the actual amount provided for controlled maintenance and the amount necessary to fund controlled maintenance at 1.0 percent of current replacement value.

In FY 2018-19, total controlled maintenance funding of \$131.0 million (including \$15.1 million in Long Bill appropriations, \$113.9 million in state funds from S.B. 17-267 COPs, and \$2.0 million from the Emergency Controlled Maintenance Account) slightly exceeded 1.0 percent of CRV of \$12.8 billion. Additional funds from the S.B. 17-267 COPs provided a substantial one-time funding boost for controlled maintenance. Controlled maintenance funding equal to 1.0 percent of CRV would require a similar effort each year to meet the State Architect’s recommended standard. The total shortfall in controlled maintenance funding compared to 1.0 percent of CRV over the time period shown in the table (including the request year) equals \$1.2 billion.

### COMMITMENTS FOR HIGHER EDUCATION CAPITAL CONSTRUCTION

Institutions of Higher Education hold the largest portion of the state's building inventory. The higher education total does not include the value of non-academic buildings, which are not provided state-funded controlled maintenance. The following chart outlines the current replacement value of academic buildings at institutions of higher education and state agencies since FY 2003-04 to reflect both total scale and relative share. Institutions of higher education accounted for over three-fourths of the current replacement value of all state buildings in recent years.

Current Replacement Value of All State Buildings

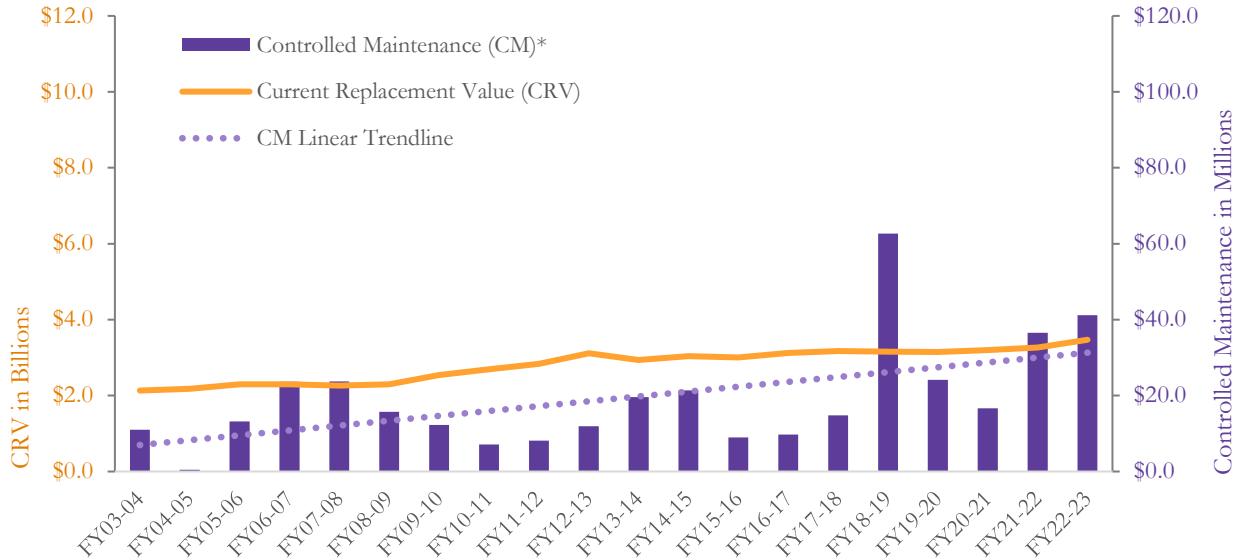


In FY 2003-04, current replacement values totaled \$2.1 billion for state agencies and \$3.7 billion for higher education institutions, representing 37.0 percent and 63.0 percent respectively of the \$5.8 billion total inventory. The state agency building inventory increased 62.7 percent over the 20-year period shown in the chart, while the higher education building inventory increased 231.3 percent over that period.

The charts below outline CM to CRV comparisons by state agency buildings and by higher education buildings. As shown, closing the gap between actual controlled maintenance funding and 1.0 percent

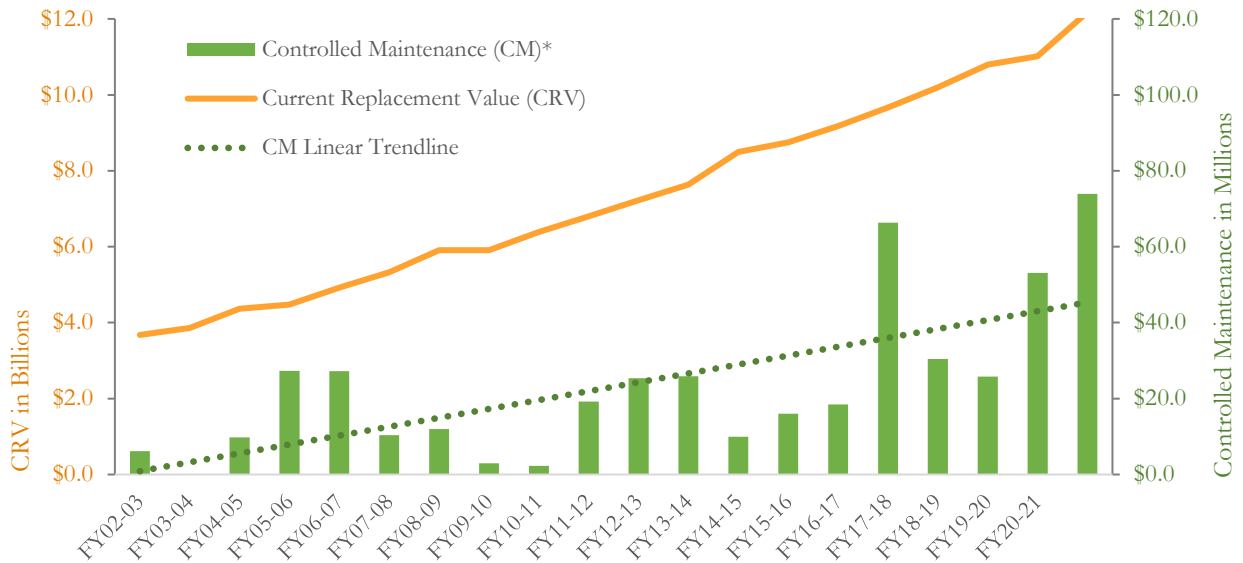
of current replacement value is very achievable for state agency buildings, but less so for higher education buildings. Due to the additional revenue sources available to institutions of higher education for capital expansion, it is staff's opinion that state funding for capital construction for institutions of higher education should be almost entirely directed to controlled maintenance and capital renewal rather than new construction.

**State Agency Buildings: Controlled Maintenance Funding Compared to CRV**



\*Controlled Maintenance scale is equal to 1.0 percent of CRV scale

**Higher Education: Controlled Maintenance Funding Compared to CRV**



\*Controlled Maintenance scale is equal to 1.0 percent of CRV scale

## SUMMARY: FY 2022-23 APPROPRIATION & FY 2023-24 REQUEST

		CAPITAL CONSTRUCTION					
		TOTAL FUNDS	CCF	CASH FUNDS	FEDERAL FUNDS	FY 2024-25 CCF COST	LATER YEAR CCF COST
		<b>FY 2022-23 APPROPRIATION:</b>					
		FY 2022-23 Long Bill (H.B. 22-1329)	\$491,102,435	\$5,246,375	\$484,090,730	\$1,765,330	
		SB 22-206 Disaster preparedness and recovery resources	2,700,000	2,700,000	0	0	
		SB 22-239 Buildings in the Capitol Complex	26,721,314	0	26,721,314	0	
		HB 22-1283 Youth and family behavioral healthcare	35,000,000	0	35,000,000	0	
		HB 22-1303 Increase residential behavioral health beds	10,683,678	0	10,683,678	0	
		<b>TOTAL</b>	<b>\$566,207,427</b>	<b>\$7,946,375</b>	<b>\$556,495,722</b>	<b>\$1,765,330</b>	
Priority		<b>FY 2023-24 OSPB STATE-FUNDED, RECOMMENDED APPROPRIATION:</b>					
OSPB	CCHE						
1		Controlled Maintenance Level 1	\$74,376,790	\$74,376,790	\$0	\$0	\$0
2		Controlled Maintenance Level 2	55,031,769	55,031,769	0	0	0
3		DOC: Sterling Kitchen Renovation ph 2/2 (CR)	48,525,082	48,525,082	0	0	0
4		DHS: Regional Centers Bathroom Remodels	1,906,757	1,906,757	0	0	0
5		DHS: Regional Centers Kitchens, Pools, and Parking Lot ph 1/2	1,390,293	1,390,293	0	6,105,293	0
6	29	HED: CMU Geothermal Exchange Loop	9,108,609	4,000,000	5,108,609	0	0
7	20	HED: MSU Health Institute Tower ph 1/3	6,564,332	6,564,332	0	24,622,285	0
8	3	HED: NJC Applied Technology Campus Expansion & Remodel ph 2/2	6,225,500	5,725,500	500,000	0	0
9		DOC: Sterling Access Controls Electronic Security System Replacement ph 1/2 (CR)	9,396,262	9,396,262	0	28,003,136	0
10		DOC: State Penitentiary Electronic Security System Replacement (CR)	5,917,551	5,917,551	0	0	0
11		DHS: Campus Utility Infrastructure, CMHIFL ph 3/3 (CR)	3,115,635	3,115,635	0	0	0
12		DHS: DYS Safety and Security Risk Mitigation	1,455,142	1,455,142	0	0	0
13		CDOT: Vail Pass Supporting Structures for Avalanche Defense	2,398,650	2,398,650	0	0	0
14		CDOT: EJMT West Portal Explosive Syst Upgrade & Remote Avalanche Ctrl	1,565,000	1,565,000	0	0	0
15		AGR: Insectary Greenhouse Expansion, Repair and Replacement	719,539	719,539	0	0	0
16		DMVA: Pueblo Field Maintenance Shop and Readiness Center ph 1/3	1,800,000	0	1,800,000	0	8,800,000
17		DPA: Capitol Complex Renovation and Footprint Reduction	32,000,000	0	32,000,000	0	3,203,000
18		DPS: CBI Arvada Toxicology Lab Expansion and Investigations Space	3,036,314	3,036,314	0	0	0
19		DPS: Finance Purchase of Firehawk Helicopter	2,000,000	2,000,000	0	2,400,000	31,600,000
20	n/a	HED: SB 20-219 COP Payment	4,754,875	1,926,018	2,828,857	0	4,753,000



**CAPITAL CONSTRUCTION**

		TOTAL FUNDS	CCF	CASH FUNDS	FEDERAL FUNDS	FY 2024-25 CCF COST	LATER YEAR CCF COST	
21	n/a	HED: CSU National Western Center COP Payment <sup>1</sup>					0	0
		17,499,348	0	17,499,348	0			
<b>SUBTOTAL - State-Funded, Recommended</b>		<b>\$288,787,448</b>	<b>\$229,050,634</b>	<b>\$59,736,814</b>	<b>\$0</b>	<b>\$69,086,714</b>	<b>\$171,361,706</b>	

<sup>1</sup> The appropriation for this item originates as General Fund transferred to the National Western Center Trust Fund pursuant to section 23-31-902 (3), C.R.S., and is included in the Long Bill as a cash funds appropriation.

OSPB	CCHE	FY 2023-24 CASH-FUNDED REQUESTED APPROPRIATION:					
1		DNR: Infrastructure and Property Maintenance					
		\$90,422,185	\$0	\$90,422,185	\$0		
2		DNR: Property Acquisition and Improvements					
		25,000,000	0	25,000,000	0		
<b>SUBTOTAL - Cash-Funded, Recommended</b>		<b>\$115,422,185</b>	<b>\$0</b>	<b>\$115,422,185</b>	<b>\$0</b>		

<b>TOTAL -FY 2023-24 Governor's Request</b>	<b>\$404,209,633</b>	<b>\$229,050,634</b>	<b>\$175,158,999</b>	<b>\$0</b>	<b>\$69,086,714</b>	<b>\$171,361,706</b>
<b>INCREASE/(DECREASE)</b>	(\$161,997,794)	\$221,104,259	(\$381,336,723)	(\$1,765,330)		
Percentage Change	(28.6%)	2,782.5%	(68.5%)	(100.0%)		

(CR) indicates the project is capital renewal.

**OSPB NON-PRIORITIZED, NOT RECOMMENDED FOR FUNDING AND CCHE PRIORITIZED:**

The following table includes additional building capital projects not recommended for funding, prioritized by CCHE but not by OSPB.

OSPB	CCHE	TOTAL FUNDS	CCF	CASH FUNDS	FEDERAL FUNDS	FY 2024-25 CCF COST	LATER YEAR CCF COST
1	HED: AHEC Campus-wide HVAC Replacement ph 2/2 (CR)	\$33,257,292	\$33,257,292	\$0	\$0		
2	HED: UCB Hellem's Arts & Sciences and Outdoor Theater Renov ph 3/3	42,780,037	17,112,015	25,668,022	0		
3	HED: CSU Clark Bldg Renovation and Addition ph 2/3	62,715,386	37,715,386	25,000,000	0	34,513,039	
3	HED: LCC Bowman ph 2/2 (CR)	5,850,030	5,850,030	0	0		
6	HED: UCD Bldg Infrastructure Replacement & Renovation	38,362,071	28,387,933	9,974,138	0		
7	HED: UCB Guggenheim Geography Building Renovation	42,045,085	16,818,034	25,227,051	0		
8	HED: UCB Macky Auditorium Renovation ph 1/3	28,205,378	11,282,151	16,923,227	0	8,046,811	7,745,021
9	HED: MSU Classroom 2 Career Hub	19,916,529	17,922,885	1,993,644	0		
9	HED: Western Hurst Hall Lab Renovation (CR)	3,995,492	3,831,677	163,815	0		
11	HED: UNC Crabbe Hall Renewal (CR)	10,980,950	10,871,140	109,810	0		
11	HED: Western Leslie J. Savage Library (CR)	3,066,231	2,940,516	125,715	0		
13	HED: FLC Southwest Campus Renewal	18,741,170	17,897,817	843,353	0		
14	HED: CSM Campus Infrastructure ph 1/2	36,602,767	26,602,767	10,000,000	0	22,303,624	
15	HED: CMU Maverick Center Renovation and Expansion	47,614,771	42,805,679	4,809,092	0		
16	HED: MCC Science and Technology Facility Expansion	26,122,600	26,122,600	0	0		
17	HED: CSU San Luis Valley Potato Research and Storage Facility	13,615,838	11,301,146	2,314,692	0		
18	HED: TSC Valley Campus Main Bldg Addition and Renovation ph 1/2	5,767,364	5,767,364	0	0	11,667,288	
19	HED: ASU Facility Services Center Replacement	25,372,609	25,118,883	253,726	0		
20	HED: PPCC FREE Complex	39,924,378	36,710,466	3,213,912	0		
22	HED: ASU Central Technology Building Addition and Renovation	8,750,489	8,662,984	87,505	0		
23	HED: CSU District Heating Plant Sustainability Upgrade (CR)	21,080,849	17,497,105	3,583,744	0		
23	HED: UNC Frasier Hall Renewal (CR)	39,555,655	39,160,098	395,557	0		
25	HED: AHEC Auraria Campus Safety Center	27,580,207	27,580,207	0	0		
26	HED: CMU Electrical and Computer Engineering Building	27,818,067	25,008,443	2,809,624	0		
27	HED: CSU ARDEC Infrastructure Improvements ph 1/2	12,764,474	12,764,474	0	0	6,785,273	
28	HED: CMU Student Parking Garage	28,849,769	25,935,943	2,913,826	0		
30	HED: CSU-Pueblo Art/Music Building Renovation	24,288,697	23,802,923	485,774	0		
	AGR: Creative Art Bldg Fire Suppression, Code, ADA, & HVAC Updates (CR)	2,720,446	2,720,446	0	0		
	COR: Fremont Primary & Secondary Electrical Replacement (CR)	24,036,784	24,036,784	0	0		
	HistCO: Collections Care Facility	52,324,142	42,324,142	10,000,000	0		
	DHS: Kitchen Improvements, CMHIP	21,875,711	21,875,711	0	0		

OSPB	CCHE	TOTAL FUNDS	CCF	CASH FUNDS	FEDERAL FUNDS	FY 2024-25 CCF COST	LATER YEAR CCF COST
	DHS: Campus Utility Infrastructure, CMHIP ph 2/3 (CR)	17,136,986	17,136,986	0	0	18,076,383	
	DHS: Gilliam Youth Services Center Replacement ph 1/3	1,987,623	1,987,623	0	0	2,920,199	46,734,782
	DHS: DYS Visitation Centers, Three Campuses	4,047,762	4,047,762	0	0		
	DHS: DYS Career Technical Education ph 1/3	9,778,353	9,778,353	0	0	6,250,932	17,155,743
	DHS: Support Services, CMHIFL	10,975,164	10,975,164	0	0		
	DPA: Controlled Maintenance Level 3	17,504,654	17,504,654	0	0		
	<b>SUBTOTAL - OSPB Non-Prioritized, Not Recommended for Funding</b>	<b>\$858,011,810</b>	<b>\$711,115,583</b>	<b>\$146,896,227</b>	<b>\$0</b>	<b>\$110,563,549</b>	<b>\$71,635,546</b>

## STAFF NOTES ON THE OSPB CAPITAL REQUEST

### DPS: Finance Purchase of Firehawk Helicopter

The OSPB request includes \$2.0 million Capital Construction Fund for a project in the Department of Public Safety titled “Finance Purchase of Firehawk”. The FY 2023-24 request represents the first year of payments for COPs that would be used to finance the purchase of a second Firehawk helicopter for the Division of Fire Prevention and Control’s fleet. The estimated financing plan includes a purchase price of \$26.0 million, with payments being made through FY 2037-38 for a total cost of \$36.0 million. The FY 2023-24 payment is estimated at \$2.0 million and increases to \$2.4 million in FY 2024-25 and ongoing.

The issuance of COPs must be authorized by legislation outside of the Long Bill<sup>1</sup>; the CDC is aware that they would need to sponsor such legislation. It is standard practice for COP payments to be included with the Capital Construction list and appropriations while the building or asset is under construction and later be relocated to the responsible department’s operating budget after completion.

The United Rotorcraft company has a single Firehawk helicopter available for purchase in September 2023 and states that the next batch won’t be available until the fall of 2025 for use in the 2026 fire season. The Department of Public Safety requests \$2.8 million General Fund and 4.0 FTE through its R3 Fire Aviation Resources request to operate and staff this Firehawk.

### HED: Senate Bill 20-219 COP Payments

Senate Bill 20-219 authorized the issuance of COPs broadly for higher education projects up to \$65.5 million and required the CDC to later post a list of projects that would be funded by the issuance. The specified projects are:

- Colorado State University, Shepardson Building Renovation and Addition (\$17,051,200);
- Fort Lewis College, Health Sciences Center (\$26,571,891); and
- University of Colorado, Anschutz Health Sciences Building (\$21,859,241).

There is nothing in statute specifying a specific source of funds that must be used for the annual payments. The OSPB request (as reflected in the table above) asks CSU and the University of Colorado to pay proportionally from their own cash funds with the Fort Lewis College component paid from the Capital Construction Fund. The same situation occurred with the FY 2022-23 request, which resulted in the CDC writing a letter to the JBC to clarify that when they sponsored the legislation they intended the payments would be made from the Capital Construction Fund (originating as General Fund). In light of this situation, CDC staff documents show the payments as Capital Construction Fund and staff expects the CDC recommendation to do the same.

### Continuation Phases of Higher Education Projects Not Recommended

The request excludes continuation phases of four higher education projects with previously funded phases. These are discussed in detail in the next section.

---

<sup>1</sup> Section 24-82-801 (1)(a)(I), C.R.S.

## ISSUE: CONTINUATION PHASES OF HIGHER EDUCATION PROJECTS NOT RECOMMENDED

Large capital expansion projects, especially for institutions of higher education, are often broken into multiple phases that are able to stand on their own. Therefore, the approval of one phase of a project in a given year is in no way a guarantee that the General Assembly will provide funding for the remaining phases in subsequent years. Despite the independent nature of separate phases, JBC staff is of the opinion that continuation phases for previously funded projects should be prioritized ahead of new capital expansion projects. Unfortunately, it is not uncommon for the CDC to recommend funding for an initial phase and then let the remaining phases go unfunded for multiple years.

### RECOMMENDATION

JBC staff typically avoids making recommendations on individual capital projects. However, in the event that the CDC recommends a project list that includes new capital expansion projects and does not include the continuation phases of the projects discussed below, staff recommends the JBC consider re-ordering the CDC list.

### DISCUSSION

The OSPB recommendation excludes continuation phases of four higher education projects that were provided funding for their initial phases, but includes funding for several new capital expansion projects. CCHE prioritized the continuation projects as their top four priorities. The previously funded and next phase costs are shown in the table below.

CCHE RANK	PROJECT NAME	PREVIOUSLY FUNDED		FY 2023-24 REQUEST	
		STATE FUNDS	CASH FUNDS	STATE FUNDS	CASH FUNDS
1	Auraria Higher Education Center Campus-wide HVAC Replacement ph 2/2 (Capital Renewal)	\$20,353,100	\$210,000	\$33,257,292	\$0
2	CU Boulder Hellems Arts & Sciences Bldg and Mary Rippon Outdoor Theater Renov ph 3/3	24,950,838	37,426,257	17,112,015	25,668,022
3 (Tie)	Lamar Community College Bowman Building Renovation ph 2/2 (Capital Renewal)	3,944,152	0	5,850,030	0
3 (Tie)	CSU Clark Building Renovation and Addition ph 2/3	8,000,000	30,000,000	37,715,386	25,000,000
	<b>Total</b>	<b>\$57,248,090</b>	<b>\$67,636,257</b>	<b>\$93,934,723</b>	<b>\$50,668,022</b>

The Auraria Higher Education Center Campus-wide HVAC Replacement capital renewal project was originally supposed to be one phase and was funded in the FY 2021-22 Long Bill. The Joint Budget Committee approved a non-monetary interim supplemental request in June 2022 that reduced the scope of the project from nine buildings to three, with the understanding that a request to fund the remaining six buildings in a second phase would be made for FY 2023-24. OSPB did not recommend this project for funding in FY 2021-22.

The CU Boulder Hellems Arts and Sciences and Mary Rippon Outdoor Theater Renovation was provided funding for the first and second phases in the FY 2021-22 and FY 2022-23 Long Bill. The final phase would address concerns with various electrical and mechanical systems within the Hellems

Arts and Sciences Building, renovate the interior to address programming needs, and make improvements to the adjacent Mary Rippon Outdoor Theater. The renovation components of this project would address several deferred maintenance items; this project is therefore classified as recapitalization in the Long Bill. This project was not recommended by OSPB in FY 2021-22 or FY 2022-23.

Phase I of the Lamar Community College Bowman Building Renovation capital renewal project was funded in the FY 2022-23 Long Bill. Phase I covered design and bidding, mechanical equipment purchase, and asbestos mitigation. Phase II will cover the remaining project construction, including electrical, plumbing, roof, ceiling, fire suppression, and flooring improvements. OSPB recommended Phase I for funding in FY 2022-23, with a prioritization of 16 out of 27.

The CSU Clark Building Renovation and Addition project was originally planned as two phases, but has been split into three as a result of the JBC only providing funding for a portion of the first phase in the FY 2022-23 Long Bill. The FY 2023-24 request is for the second phase, and a third phase will be requested in FY 2024-25 at a cost of \$34.5 million Capital Construction Fund. OSPB did not recommend this project for funding in FY 2022-23.

JBC staff typically avoids making recommendations on individual capital projects. However, in the event that the CDC recommends a project list that includes new capital expansion projects, especially for higher education institutions, and does not include the continuation phases of the projects discussed below, staff recommends the JBC consider re-ordering the CDC list to include these projects. Section 2-3-203 (1)(b.2)(I)(B), C.R.S., requires that if the JBC wishes to alter the priority of capital projects established by the CDC, the JBC must notify the CDC and allow for a joint meeting of the two committees.

## APPENDIX A FOOTNOTES AND INFORMATION REQUESTS

### UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2022 Long Bill (H.B. 22-1329) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/hb22-1329>. The Long Bill footnotes relevant to this document are listed below.

The FY 2022-23 Long Bill did not include footnotes specific to Capital Construction.

### UPDATE ON LONG BILL REQUESTS FOR INFORMATION

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2022-23 Report):

<https://leg.colorado.gov/sites/default/files/fy22-23apprept.pdf>

The requests for information relevant to this document are listed below.

- 3 Office of the Governor, Office of State Planning and Budgeting; Capital Construction for All Departments -- The Office of State Planning and Budgeting is requested to submit a report to the Joint Budget Committee by January 2, 2023, regarding expenditure of FY 2022-23 capital construction appropriations that appropriate money from the Revenue Loss Restoration Cash Fund. These funds originate as federal Coronavirus State Fiscal Recovery Funds. The Office is requested to solicit information from state agencies and institutions of higher education and indicate if any changes to appropriations or statute are required to ensure FY 2022-23 capital construction appropriations are fully expended for the intended purposes.

**COMMENT:** This request is not due until January 2, 2023. JBC staff will discuss the response during Figure Setting.

- 4 Office of the Governor, Office of State Planning and Budgeting; Department of Higher Education, Colorado Commission on Higher Education -- The Office of State Planning and Budgeting and the Colorado Commission on Higher Education are requested to submit a report to the Joint Budget Committee by October 1, 2022, commenting on the concept of allowing the

Capital Development Committee to include repayment of existing debt for cash funded buildings at institutions of higher education to be considered and prioritized as items on the Committee's list of recommended projects. Responses should include suggestions for guardrails or eligibility requirements that could be put in place as part of this concept.

**COMMENT:** The response submitted by OSPB/CCHE is attached at the end of this document. The JBC asked the CDC for similar input in the form of a letter; the CDC response is also attached.

### Background

During the FY 2022-23 budget process, JBC staff became aware of a proposal to allow the CDC to include repayment of existing debt for cash funded buildings as a prioritized item on the Capital Construction list. Staff's opinion is that there could be cases where an institution that does not have a need for new state-funded buildings, but is overburdened by debt payments on an existing cash funded building, should be allowed to ask the CCHE and CDC to consider debt relief alongside other capital construction projects. This issue is not explicitly addressed in statute; the Office of Legislative Legal Services believes there would need to be statutory language added explicitly to allow CDC to prioritize debt relief as part of their list.

If this proposal is considered, the General Assembly could include guardrails in statute so as not to create a perverse incentive for institutions to over-leverage themselves with cash-funded buildings. Potential eligibility requirements could include building age, institution size, and past and future Capital Construction appropriations to that institution. During Figure Setting for FY 2022-23, staff recommended the JBC ask the CDC, OSPB, and CCHE for their input on this concept. The CDC's response did not contain an opinion either way, while the OSPB/CCHE response to this RFI could be construed as slightly against. If this proposal ever gains traction, JBC staff expects it would be a CDC-sponsored bill.



October 4, 2022

The Honorable Representative Julie McCluskie  
Chair, Joint Budget Committee  
Colorado General Assembly  
200 E. 14th Avenue, Third Floor  
Legislative Services Building  
Denver, CO 80203

RE: Response to RFI RE: Higher Education Debt Relief

Dear Chair McCluskie:

In response to the request for information brought forth by the Joint Budget Committee (JBC), the Office of State Planning and Budgeting (OSPB) worked with the Department of Higher Education to evaluate whether repayment of existing debt for cash-funded buildings at institutions of higher education should be considered as part of the annual capital construction/renewal prioritization process. At the time of this RFI, there is no recommendation from OSPB and the Department of Higher Education to include repayment of existing debt incurred by institutes for cash-funded projects in the Capital Development Committee's prioritization and recommendation process. The full response to the Committee's request is provided on the following pages. Please contact me with any questions or concerns.

Sincerely,



Megan Davisson  
Deputy Director for Budget



**COLORADO**

Department of  
Higher Education

1600 Broadway, Suite 2200  
Denver, CO 80202

Jared Polis  
Governor

Dr. Angie Paccione  
Executive Director

## MEMORANDUM

TO: Joint Budget Committee, Capital Development Committee

FROM: Colorado Department of Higher Education, Office of State Planning and Budgeting

DATE: October 1, 2022

SUBJECT: Response to RFI RE: Higher Education Debt Relief

In response to the request for information brought forth by the Joint Budget Committee (JBC), The Colorado Department of Higher Education (CDHE) and Office of State Planning and Budgeting (OSPB) are evaluating whether repayment of existing debt for cash-funded buildings at institutions of higher education should be considered as part of the annual capital construction/renewal prioritization process. At the time of this RFI, the recommendation is to not include repayment of existing debt incurred by institutes for cash-funded projects in the Capital Development Committee's prioritization and recommendation process. As stated in prior CDC meetings, pursuant to Section 24-30-1301 (2), the statutory definition of capital construction, capital renewal, and controlled maintenance does not include paying off accrued debt. In addition, Section 24-75-301 (2), C.R.S. defines "capital construction appropriation" as an appropriation in the capital construction section of the annual general appropriations act, which may be for capital construction, controlled maintenance, or capital renewal.

In theory, if there is an all-cash-funded project that could require additional state funds, it should go through the current capital projects process and be submitted to the CDC for consideration for state funding if the project meets a critical need for the state. Due to budget constraints, the CDC cannot approve every request submitted annually and must prioritize the requests. Project prioritization is based on the needs of institutions and agencies and the availability of state funding for capital projects for that particular year. Projects that address life safety needs reduce future deferred maintenance, address critical maintenance issues, or programmatic needs for essential functions are prioritized and funded. This process allows the State to weigh requests for state-funded projects that fit these categories against each other and



select those that are most critical for the state and would bring the most benefit to Coloradans, given the budget availability at that time. This prioritization process includes requests from all state departments and agencies, not just those from higher education institutions.

If requests for repayment of existing debt for cash-funded projects at the institutions of higher education are considered through the same process, project prioritization would be diluted since the capital project(s) in question will have already been started or completed through a different process, without fully accounting for other competing priorities across other campuses and state agencies. We view the prioritization and recommendation process through CDC as an essential gatekeeper in determining which capital projects are undertaken with limited state resources. Projects of critical need or significant benefits to students and campus communities that require state support should be considered and prioritized through that holistic process before they begin, in conjunction with other potential projects that may need state investment simultaneously.

Retroactive state support for already completed cash-funded projects through debt relief requests would effectively require the state to weigh projects that address current critical capital maintenance or construction need against projects that do not address current essential capital maintenance or construction need. Funds allocated to reducing debt would not go towards additional improvements to deteriorating buildings, ongoing infrastructure concerns, or creating new spaces for programs and students. Therefore, CDHE and OSPB believe that debt relief requests are not a capital project issue and do not fit within the scope of CDC's prioritization process for state funding for capital projects.

This concept has been discussed in previous years with the Colorado Commission for Higher Education's (CCHHE) Finance, Performance, and Accountability Subcommittee. Although CCHHE has never made a formal recommendation, concerns have been raised about the possible "slippery slope" and incentivizing taking on financially unwise cash-funded projects. If additional commentary or a formal statement is needed from CCHHE, CDHE can formally bring this conversation to the December meeting.



Sen., Tammy Story, *Chair*  
Sen. Rhonda Fields  
Sen. Cleave Simpson

Rep. Alex Valdez, *Vice Chair*  
Rep. Donald Valdez  
Rep. Perry Will



**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 April 13, 2022, concerning the concept of allowing debt accumulated by higher education institutions as part of cash-funded capital projects to be included in the annual prioritization of capital construction projects. In your letter, you requested the Capital Development Committee's (CDC) input on the issue, including suggestions about what potential guardrails or eligibility requirements might be put into place should the concept of prioritizing debt relief as capital construction move forward. I write to provide an update on the CDC's efforts.

The committee discussed the debt relief concept at its May 5, July 11, and September 2 meetings. CDC Staff made a presentation to the committee on the issue at its July 11 meeting, explaining some of the potential benefits and drawbacks of adopting a policy for paying down higher education debt through the capital construction process, and detailing some of the associated issues that may impact such a policy. Additionally, during a facilities tour, the CDC was briefed by the President of Western Colorado University on the merits of relieving certain debt held by the university through the capital process. A handout distributed during this presentation is attached.

The CDC understands that the Joint Budget Committee (JBC) wishes to continue to explore the higher education debt relief issue, and may take up legislation to create a policy on the matter during the upcoming legislative session. The CDC will continue its exploration of and deliberations on the issue, and will keep the JBC informed as to its findings and recommendations.

I thank you for your continued reliance on the CDC for input on matters related to capital construction.

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

Representative Julie McCluskie  
September 14, 2022  
Page 2

Sincerely,

Senator Tammy Story  
Chair, Capital Development Committee

c: Capital Development Committee Members  
Joint Budget Committee Members  
Cheri Gerou, State Architect  
Lauren Gilliland, Department of Higher Education  
Andrea Uhl, Joint Budget Committee Staff  
Capital Development Committee Staff