



## Capital Construction and the Role of the Capital Development Committee

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This *issue brief* outlines the types of projects and expenses defined as capital construction, the role of the Capital Development Committee (CDC) in overseeing the approval and implementation of capital projects, and funding for capital projects.

### Capital Construction

The day-to-day expenses of state government are paid through the operating budget in the state's annual budget bill (the Long Bill). Expenses related to new construction, renovation, or maintenance of the state's capital assets are paid through the Long Bill's capital construction budget. Capital projects in the budget include:

- capital construction;
- controlled maintenance; and
- capital renewal.

Capital construction is the purchase of land or equipment, or the construction or renovation of facilities to address capital or programmatic needs, such as an increase in the population served by an agency or policy changes.

The term "capital" is more inclusive than paying for the costs related to the construction or renovation of state-owned facilities. The term "capital project" also refers to:

- the demolition of buildings or other physical facilities;
- financing the purchase or construction of a building or other physical facility through borrowing or a lease-purchase agreement;

- site improvements or development of existing buildings or other physical facilities;
- any item of instructional or scientific equipment that costs more than \$50,000; and
- the purchase of architect, engineer, and other consultant services to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with a capital project.

Controlled maintenance is the repair or replacement of capital assets or equipment, such as a roof or fire alarm system at a state-owned, state-supported facility. Controlled maintenance projects cannot exceed \$2 million in a single year. The Office of the State Architect scores and recommends each project as Level I, II, or III; with Level I covering critical life safety or loss of use projects, Level II covering operational disruptions/energy inefficiencies and/or environmental contamination, and Level III covering deterioration.

Capital renewal projects address similar issues to controlled maintenance projects, but have total costs exceeding \$2 million in a single year. The capital renewal approach focuses on upgrading building systems, infrastructure, and the basic building components within existing academic buildings on a building-by-building basis, rather than project by project.

Prior to 2014, information technology (IT) was included in the definition of capital construction. In 2014, the Joint Technology Committee (JTC) took over IT budget submissions. See Issue

Brief 22-09 for more information about IT capital projects and the JTC.

### Capital Development Committee

The CDC is charged with the review and oversight of capital projects above certain monetary thresholds. The CDC is a joint, six-member committee of the Colorado Senate and House of Representatives that was established in statute in 1985. The committee meets year-round to consider capital budget requests and issues related to the capital budget process, review the progress of ongoing capital projects, and conduct site visits at state-owned properties. The committee makes recommendations regarding state-funded capital requests to the Joint Budget Committee (JBC) for inclusion in the capital construction section of the Long Bill.

**Members of the CDC.** The CDC consists of three members of the Senate and three members of the House of Representatives. Each chamber is represented by two members of the majority party and one member of the minority party. Senate members are chosen by the Senate President or the Minority Leader. House members are chosen by the Speaker or the Minority Leader. The committee chairmanship alternates each year between the Senate and the House. The committee chair is selected at the committee's first meeting on or after October 15 in odd-numbered years, or the first December meeting after the General Election during an election year. A House member will be elected committee chair in December 2022.

**Committee oversight.** The committee is charged with considering and prioritizing funding requests for capital construction projects, including supplemental requests for spending authority during the legislative interim. The committee may also produce forecasts of the state's needs for capital construction, as necessary. Additionally, the CDC considers certain cash-funded capital projects submitted by higher education institutions, reports and requests related to real property transactions and the state's inventory of capital assets, and requests for projects on unused

state-owned real property. Finally, the committee considers recommendations from the Capitol Building Advisory Committee about the public spaces of the State Capitol building.

### Sources of Revenue

Revenue sources for capital projects are state funds, federal funds, and cash funds. Agencies can use a variety of methods to fund projects from these sources, such as debt financing, a form of lease-purchase agreement called certificates of participation (COPs), fees, and for higher education institutions, tuition and donations. Table 1 shows the year-over-year change in capital funding from FY 2018-19 to present.

**Table 1. Capital Funding: FY 2018-19 through FY 2022-23**  
*Dollars in millions*

Fiscal Year	State Funds	Cash, Re-appropriated, & Federal Funds	Total Funds	Percent Change
2018-19	\$258.6*	\$183.2	\$441.8	-
2019-20	\$156.1	\$68.5	\$224.6	-49.2%
2020-21	\$2.5	\$103.2	\$105.7	-52.9%
2021-22	\$217.4	\$84.3	\$301.7	185.4%
2022-23	\$5.2	\$484.1**	\$491.1	62.8%
<b>Total</b>	<b>\$652.1</b>	<b>\$948.2</b>	<b>\$1,602.1</b>	

\*Includes \$120.0 million in additional funding made available from COPs issued pursuant to Senate Bill 17-267.

\*\*The source of the federal funds is primarily the American Rescue Plan Act.

**State fiscal rules.** Money appropriated through the capital budget must be spent within three fiscal years, whereas operating budget appropriations must be expended within one fiscal year. Some capital projects, including higher education cash-funded projects and many property transactions, are considered and approved outside of the regular appropriations process.

## **FY 2022-23 Capital Funding**

During the 2022 session, the General Assembly provided funding for 129 capital projects in the FY 2022-23 Long Bill.

In past years, state-funded projects were funded through transfers from the General Fund to the Capital Construction Fund (CCF). 2022 was an unusual year for capital funding because the majority of capital projects were funded from the Revenue Loss Restoration Cash Fund, which received funds from the federal American Rescue Plan Act of 2021 (ARPA). As in past years, some projects were also funded in whole or in part from cash funds (CF). The 2022 projects included:

- 9 capital construction projects (\$4.7 million CCF and \$158.8 million CF);
- 22 capital renewal projects (\$500,000 CCF and \$212.0 million CF); and
- 98 state-funded controlled maintenance projects (\$115.1 million CF). All projects from Levels I and II were funded, and Level III was partially funded.