



Colorado General Assembly
Joint Budget Committee

Joint Budget Committee Staff

FY 2015-16 Budget Briefing Summary

Capital Construction

The capital construction section of the Long Bill includes funding appropriated to state departments and higher education institutions for capital construction, controlled maintenance, and capital lease purchase payments. Capital construction appropriations are primarily supported by General Fund transferred to the Capital Construction Fund. The FY 2014-15 General Fund transfer to the Capital Construction Fund (\$225.5 million) represents 2.4 percent of FY 2014-15 General Fund revenues, based on the September 2014 Legislative Council Staff forecast. The Capital Development Committee is responsible for reviewing all capital requests and making capital funding recommendations to the Joint Budget Committee.

FY 2014-15 Appropriation and FY 2015-16 Request

	Capital Construction - OSPB Request					FTE
	Total Funds	Capital Construction Fund	Cash Funds	Reappropriated Funds	Federal Funds	
FY 2014-15 Appropriation						
HB 14-1336 (Long Bill)	\$492,833,491	\$364,420,213	\$116,124,738	\$8,566,515	\$3,722,025	0.0
TOTAL	\$492,833,491	\$364,420,213	\$116,124,738	\$8,566,515	\$3,722,025	0.0
FY 2015-16 Requested Appropriation						
FY 2014-15 Appropriation	\$492,833,491	364,420,213	\$116,124,738	\$8,566,515	\$3,722,025	0.0
Annualize FY 2014-15 appropriation	(492,833,491)	(364,420,213)	(116,124,738)	(8,566,515)	(3,722,025)	0.0
<i>Requests Prioritized by OSPB*</i>						
R1 HED: Anschutz Medical Campus COP	14,289,937	7,289,937	7,000,000	0	0	0.0
R2 HED: Federal Mineral Lease COP	18,587,813	18,587,813	0	0	0	0.0
R3 DOC: CSP II COP	20,254,768	20,254,768	0	0	0	0.0
R4 Level 1 Controlled Maintenance	19,822,659	19,822,659	0	0	0	0.0
R5 HUM: MHI Suicide Risk Mitigation Phase II	4,556,369	4,556,369	0	0	0	0.0
R6 HUM: DYC Facility Refurbishment Phase II	2,000,000	2,000,000	0	0	0	0.0
R7 HED: FLC Bernt Hall Continuation	10,409,332	8,293,345	2,115,987	0	0	0.0
R8 HED: CU Systems Biotech Bldg Continuation	28,243,179	20,243,179	8,000,000	0	0	0.0
R9 HED: UCCS Visual and Performing Arts Continuation	20,588,699	9,608,699	10,980,000	0	0	0.0
R10 HED: CSU Chemistry Bldg Addition Continuation	29,094,678	23,694,678	5,400,000	0	0	0.0
R11 HED: MSU Aviation, Aerospace, and Adv. Manuf. Bldg. Continuation	31,125,032	14,720,872	16,404,160	0	0	0.0
R12 HED/HistCO: Georgetown Loop Business Capitalization Program	400,000	300,000	100,000	0	0	0.0

R13 COR: CSP Close Custody Outdoor Recreation Yards	4,780,979	4,780,979	0	0	0	0.0
R14 HUM: Kipling Village Security Perimeter	730,510	730,510	0	0	0	0.0
R15 HUM: Wheat Ridge Regional Center Capital Improvements	937,841	937,841	0	0	0	0.0
R16 HUM: Pueblo Regional Center Capital Improvements	823,070	823,070	0	0	0	0.0
R17 HUM: CVCLC Safety and Accessibility Improvements	3,588,700	3,588,700	0	0	0	0.0
R18 HED: CSM Heating Plant Renovation	13,129,330	6,564,665	6,564,665	0	0	0.0
R19 HUM: CMHIFL Campus Utility Infrastructure	3,289,760	3,289,760	0	0	0	0.0
R20 COR: Limon CF Hot Water Loop Replacement	4,187,050	4,187,050	0	0	0	0.0
R21 HUM: Master Plan	1,451,365	1,451,365	0	0	0	0.0
R22 HUM: Adams YSC Replacement	1,982,833	1,982,833	0	0	0	0.0
R23 DPS: State Wildland Fire Engine Replacement	1,660,000	1,660,000	0	0	0	0.0
R24 MIL: Buckley P-4 Conservation Easement	5,000,000	5,000,000	0	0	0	0.0
R25 PER: Capitol Grounds Water Conservation and Landscaping Renovation	1,134,449	1,134,449	0	0	0	0.0
R26 DPS: Supplemental CBI Lab Space	<u>2,522,576</u>	<u>2,522,576</u>	<u>0</u>	<u>0</u>	<u>0</u>	0.0
Subtotal - Prioritized Requests	\$244,590,929	\$188,026,117	\$56,564,812	\$0	\$0	0.0
Subtotal - Non-prioritized Requests [100% cash and federally-funded] - 11 projects	37,241,698	0	36,443,137	0	798,561	0.0
Subtotal - Information Technology Prioritized Requests - 16 projects**	<u>112,735,491</u>	<u>97,398,261</u>	<u>0</u>	<u>0</u>	<u>15,337,230</u>	<u>0.0</u>
TOTAL	\$394,568,118	\$285,424,378	\$93,007,949	\$0	\$16,135,791	0.0
Percentage Change	(19.9%)	(21.7%)	(19.9%)	(100.0%)	333.5%	n/a

*Reflect's OSPB's prioritization order. Higher Education projects are separately prioritized by CCHE. Higher Education cash-funded projects, which do not require appropriations from the General Assembly, are not included.

** OSPB's prioritized list of IT projects reflects funding with General Fund. However the OPSB request includes the total state funding for IT projects in the amount requested as General Fund transfer to the Capital Construction Fund. This table reflects their inclusion in the capital budget with funding from the CCF consistent with the CCF transfer request and OSPB transmittal letter to the Joint Technology Committee.

Summary of Issues Presented to the Joint Budget Committee

Overview of Capital Construction Request: The OSPB building capital prioritized request, submitted to the Capital Development Committee, includes \$285.4 million from the Capital Construction Fund. This would require an estimated transfer of \$281.6 million from the General Fund to the Capital Construction Fund.

A Reconsideration of IT Capital Funding Source: House Bill 14-1395 split consideration of information technology (IT capital) requests from building capital requests in the capital construction budget process. This also included changing the funding source for state-funded IT capital projects from the Capital Construction Fund to the General Fund. The IT capital request for FY 2015-16 includes ten projects that total \$97.4 million

in state funds. If these projects are funded with General Fund, the projects will require an additional \$6.3 million to satisfy the 6.5 percent General Fund reserve.

Planning Unit for the Office of the State Architect: The lack of a centralized agency responsible for managing capital construction planning processes and the lack of planning expertise available at state agencies limit the effectiveness of and confidence in the capital construction decision-making process. Additionally, lack of due diligence and planning may create legal liabilities for the State when incomplete project planning must be reconsidered after the issuance of a Certificate of Participation (COP).

An Automatic Funding Mechanism for Controlled Maintenance and Capital Renewal: The State has generally underfunded controlled maintenance in annual appropriations and lacks an automatic funding mechanism to provide for controlled maintenance. A depreciation-based capital recovery system would create a closed loop for capital construction funds and more effectively synchronize with federal treatment of capital assets and capital recovery.

Transfer Recommendations for COP Payments Between Capital and Operating: The Capital Development Committee (CDC) has requested that the JBC consider moving certificates of participation (COP) lease payments from the capital budget to the operating budget due to their routine, ongoing nature consistent with operating expenses as provided in Joint Rule 45.

IT Capital Requests and Greater Justification for Projects: Information technology budget (IT capital) requests may be more expensive when compared to building capital requests. A large IT capital project with an estimated obsolescence of 10 to 20 years can cost as much as a building with an estimated useful life of 40 years. Additionally, IT capital projects are higher risk projects relative to building capital projects in that failed or underperforming IT projects retain almost no asset value. Due to the higher cost and higher asset risk, IT capital projects should not be funded unless project planning clearly defines the operating efficiencies or program enhancements to be gained and clearly quantifies the benefits of a project relative to its costs.

CORE Implementation Update: • The Colorado Operations Resource Engine (CORE), also known as COFRS Modernization, went live on July 1st.

For More Information

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To read the entire briefing: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2014-15/CAPbrf.pdf