

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2012-13 AND
PRIOR YEARS
CAPITAL CONSTRUCTION**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:
Amanda Bickel, JBC Staff
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For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

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Prioritized Supplemental Requests

SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #1 FEDERAL MINERAL LEASE FUND SPILLOVER

	Request	Recommendation
Total	<u>\$0</u>	<u>\$0</u>
FTE	0	0
General Fund/Capital Construction Fund	420,184	420,184
Cash Funds	(420,184)	(420,184)
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	YES
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made (difference between forecasted and actual revenue).	

Department Request: The Office of State Planning and Budget requests:

- An FY 2012-13 supplemental appropriation of \$420,184 from the Capital Construction Fund to the Department of Higher Education’s Capital Construction appropriation for Federal Mineral Lease Certificate of Participation (COP) payments, and a corresponding reduction in cash funds pending authority from the Higher Education Federal Mineral Lease (FML) Revenues Fund.
- An increase in the General Fund transfer to the Capital Construction Fund in FY 2012-13 of \$420,184 (requires a statutory change).

The FY 2012-13 budget for the COP payment was based on projected revenue in the FML Revenues Fund in March 2012. The forecast was for \$16.3 million in new revenue to the Fund. Based on this projection and the existing fund balance, the appropriation for COP payments assumed that FML spillover revenues would be sufficient to support all COP payments in FY 2012-13. However, actual revenue received was only \$11.3 million. As a result to the FML Revenues Fund does not have sufficient moneys to fully support the FY 2012-13 COP payments. OSPB requests General Fund of \$420,184 to fill the gap between the required COP payment and the FY 2012-13 balance in the Higher Education FML Revenues Fund.

Staff Recommendation: Staff recommends the request. The Capital Development Committee approved the request at its 1/15/13 meeting. *Please note that this request was submitted late to the CDC (initially submitted 1/8/13, with a revised submission 1/14/13).*

Staff Analysis: As indicated in the request, OSPB and the General Assembly anticipated a higher level of FML revenue than was ultimately received by the Higher Education FML Fund in April 2012. Based on the forecast, the entire FY 2012-13 COP payment of \$18,585,375 was appropriated from the Higher Education FML Revenues Fund. (Line Item: Department of the Treasury, Certificates of Participation, Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S.) As a result, even after spending down the entire remaining fund balance, and taking projected interest earnings into account, amounts in this Fund are insufficient to support required COP payments for FY 2012-13.

The table below provides a history of the Fund. Note that due to a technical error, \$4.1 million was expended from the FML Fund in FY 2011-12 that should have been expended from the Capital Construction Fund. This is being corrected in FY 2012-13 through accounting adjustments in the Treasurer’s Office, with a net \$0 impact on the FML Fund and the Capital Construction Fund. ¹

Higher Education Federal Mineral Lease Revenues Fund				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Balance - Beginning	\$34,111,679	\$22,305,030	\$14,996,536	\$14,050,913
Interest	598,742	268,084	123,922	47,767
Transfer to the GF (HB 10-1389)	(750,000)	(7,000,000)	-	-
COP Expenses:				
COP Expense from FML as appropriated	(11,655,391)	(6,685,506)	(8,379,790)	(18,585,375)
Additional COP Expense from FML instead of CCF (error)	-	-	(4,051,970)	-
Payment from CCF instead of FML (corrects error)	-	-	-	4,066,510
FML revenue (received last quarter/used for the next year)	-	6,108,927	11,362,216	Pending
Balance - End of Year Close	22,305,030	14,996,536	14,050,913	Pending
Shortfall for FY 2012-13: Supplemental Request				(\$420,184)

OCTOBER 2012 INTERIM SUPPLEMENTAL REQUEST - UPDATE COLORADO STATE UNIVERSITY, EQUINE REPRODUCTION LABORATORY

On October 22, 2012, the Capital Development Committee approved an interim FY 2012-13 supplemental request for \$5,600,000 cash funds for the CSU Equine Reproduction Laboratory. **The Joint Budget Committee never heard this request. Based on JBC consultation with CDC staff, JBC staff understands that this supplemental is no longer required.**

The project was previously approved by the CDC in April 2012 as a higher education cash funds project not requiring appropriation. Colorado State University subsequently decided to partially fund the project using WICHE veterinary medicine support fees. Pursuant to Section 23-31-118 (2), C.R.S. WICHE fees are subject to appropriation.

¹ Staff explored making adjustments to the FY 2011-12 and FY 2012-13 appropriations so that they more accurately reflected the funds actually expended by year. However, based on the way the Treasurer’

The Capital Development Committee is now sponsoring a bill (H.B. 13-1026) which will modify Section 23-31-118 (2), C.R.S., so that use of WICHE fees for capital construction no longer requires an appropriation. JBC staff consulted with CDC staff, the Controller’s Office, and the Department. Based on this consultation, it appears preferable to “fast track” the CDC’s bill and include a safety clause, so that no appropriation for this project will be required.

Previously-approved Interim Supplemental Requests

In June and September 2012, the Joint Budget Committee reviewed and approved a number of capital construction interim supplementals.

- Five of these supplementals were for cash-funded Higher Education projects. The Committee wrote letters to the Department of Higher Education, as well as to the Controller indicating its approval of these projects. JBC approval was required, because the Higher Education projects are part of the revenue bond intercept program; however *no appropriation is required for these cash-funded higher education projects pursuant to Section 23-1-106, C.R.S.*

- An appropriation adjustment is required to add funding for one project in the Department of Human Services, as well as to extend the time frames for a previous appropriation for the History Colorado Ute Indian Museum expansion, as reflected below. **Consistent with previous Committee action, staff will include changes in the capital construction supplemental bill for the State Veterans Nursing Home at Rifle and History Colorado Ute Indian Museum projects.**

Capital Construction			
JBC Approved Adjustments to FY 2011-12 Appropriations			
	Total	CF	FF
Department of Human Services, State Veterans Nursing Home at Rifle, Special Care Life Safety Upgrades	358,400	125,390	233,010

Ute Indian Museum: The FY 2007-08 appropriation from the Capital Construction Fund (\$146,000) and the FY 2008-09 appropriation of cash and federal funds for the project (\$100,000 cash funds and \$150,000 federal funds) will be extended through June 30, 2015.

	FY 2011-12	FY 2012-13	Fiscal Year 2012-13 Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
CAPITAL CONSTRUCTION					
Supplemental #1 - Federal Mineral Lease Fund Spillover					
<i>Capital Construction, Department of the Treasury</i>					
<i>(1) Certificates of Participation</i>					
Lease Purchase of Academic Facilities Pursuant to Section 23-19.9-102, C.R.S.	<u>12,446,300</u>	<u>18,585,375</u>	<u>0</u>	<u>0</u>	<u>18,585,375</u>
Capital Construction Fund*	4,066,510	0	420,184	420,184	420,184
Cash Funds - Federal Mineral Lease Revenue	8,379,790	18,585,375	(420,184)	(420,184)	18,165,191

*Requires an associated statutory change to Section 24-75-201, C.R.S. to increase the transfer from the General Fund to the Capital Construction Fund.