



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated May 5, 2022)

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|-------------------------|--|------------------------|---|
| Drafting Number: | LLS 22-0984 | Date: | May 10, 2022 |
| Prime Sponsors: | Sen. Moreno; Simpson Rep. Esgar; McKean | Bill Status: | House Appropriations |
| | | Fiscal Analyst: | Matt Bishop 303-866-4796 Matt.Bishop@state.co.us |

Bill Topic: **BUILDINGS IN THE CAPITOL COMPLEX**

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|----------------------------------|---|--|
| Summary of Fiscal Impact: | <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| | <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| | <input checked="" type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill authorizes and diverts funding for capital projects in the Capitol Complex. It increases state expenditures beginning FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill includes an appropriation of \$26,721,314 to the Department of Personnel and Administration.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

**Table 1
State Fiscal Impacts Under SB 22-239**

| | | Budget Year FY 2022-23 | Out Year FY 2023-24 |
|-----------------------------|---------------------------------|---------------------------|------------------------|
| Revenue | | - | - |
| Expenditures | | - | - |
| Diversions | Capitol Complex Renovation Fund | \$14.8 million | \$16.5 million |
| | Various Cash Funds | (\$14.8 million) | (\$16.5 million) |
| | Net Diversion | \$0 | \$0 |
| Transfers | Capitol Complex MPIF | (\$18.6 million) | - |
| | Various Cash Funds | (\$8.1 million) | (Indeterminate) |
| | Capitol Complex Renovation Fund | \$26.7 million | - |
| | Capital Construction Fund | - | Indeterminate |
| | Net Transfers | \$0 | \$0 |
| Other Budget Impacts | | - | - |

Summary of Legislation

The bill creates a cash fund and changes certain existing funding mechanisms for capital projects.

Capitol Complex capital projects. The Capitol Complex consists of 22 state-owned facilities, mostly in Denver, that are managed by the Department of Personnel and Administration (DPA). The bill creates the Capitol Complex Renovation Fund, which is annually appropriated to DPA for capital construction needs for these existing state-owned facilities, except that \$23 million is available for the General Assembly to use for improvement projects in legislative spaces. Spending authority for DPA continues for three fiscal years without future appropriation. On June 30, 2030, the unencumbered fund balance is transferred to the Capital Construction Fund.

Annual depreciation-lease equivalent payments. For certain capital construction projects, current law requires that funding be appropriated annually as depreciation-lease equivalent payments. These payments are credited to the Capital Construction Fund and the Controlled Maintenance Trust Fund, or to a capital reserve account, depending on the source of funds for the capital construction project being depreciated. The bill instead directs those funds to the Capitol Complex Renovation Fund for fiscal years FY 2022-23 through FY 2028-29.

State leases. Starting July 1, 2023, whenever a state agency terminates a lease for private space, it must calculate the annual reduction in its costs for leased space. Beginning in FY 2023-24, these savings must be transferred to the Capitol Construction Fund each year until the total transferred in this way equals the amount transferred to the Capitol Complex Renovation Fund.

Utilities payments. Beginning in the current FY 2021-22, any unexpended and unencumbered money appropriated to a state department for utilities remains available for one additional fiscal year for the department to purchase utilities conservation equipment or services.

Legislative spaces. Current law lists spaces in and around the Capitol Complex that are under the control and responsibility of the General Assembly. The bill adds part of the Capitol Building Annex to this list.

State Diversions and Transfers

In FY 2022-23, the bill transfers \$26,721,314 from various sources to the Capitol Complex Renovation Fund, as described below. Diversions of annual depreciation-lease equivalent payments begin in FY 2022-23, and potential transfers involving the Capital Construction Fund begin in FY 2023-24.

Annual depreciation-lease equivalent payments. The bill reallocates these payments to the Capitol Complex Renovation Fund beginning with those in the current FY 2021-22, by the amounts shown in Table 2. On September 1, 2022, the bill requires the current FY 2021-22 payments to be transferred from their various cash funds. Beginning in FY 2022-23, the bill diverts these payments to the Capitol Complex Renovation Fund. For payments from the General Fund, revenue will decrease to the Capital Construction Fund and the Controlled Maintenance Trust Fund by an equivalent total amount. For payments from cash funds, revenue will decrease to capital reserve accounts in those cash funds.

Table 2
Transfer and Diversions of Annual Depreciation-Lease Equivalent Payments

| | Current Year FY 2021-22 ¹ | Budget Year FY 2022-23 | Out Year FY 2023-24 ² |
|---------------------------------|---|---------------------------|-------------------------------------|
| General Fund | (\$7,526,342) | (\$13,535,287) | (\$15,100,000) |
| Various Cash Funds | (\$594,972) | (\$1,224,596) | (\$1,400,000) |
| Capitol Complex Renovation Fund | \$8,121,314 | \$14,759,883 | \$16,500,000 |
| Net Transfer/Diversion | \$0 | \$0 | \$0 |

¹The amounts shown for the current year are transferred on September 1, 2022 from the amount credited on June 30, 2022.

²The out year payments are estimated based on past capital expenditures.

Capitol Complex Master Plan Implementation Fund. The bill requires a transfer of \$18,600,000 from the Capitol Complex Master Plan Implementation Fund to the Capitol Complex Renovation Fund on September 1, 2022.

Capital Construction Fund. Beginning in FY 2023-24, the bill requires transfers to the Capital Construction Fund in amounts representing the annual reduction in state departments' lease costs. Because these transfers depend on contract decisions made by state departments and are affected by the costs of terminating leases early, the fiscal note does not estimate these amounts. The bill also requires a transfer equal to the unencumbered balance of the Capitol Complex Renovation Fund to the Capital Construction Fund June 30, 2030.

State Expenditures

Starting in FY 2022-23, cash fund expenditures in DPA and the Legislative Department may increase by up to \$26,721,314, the amount transferred to the Capitol Complex Renovation Fund in FY 2022-23. Because DPA has roll-forward spending authority, any money remaining in the fund at the end of the fiscal year remains available in the two subsequent fiscal years. Actual expenditures will depend on decisions made by DPA and the General Assembly based on cash fund balance and approved projects in the Capitol Complex.

Because the Capitol Complex Renovation Fund is funded by diversions and transfers from other cash funds, the increase in expenditures may be offset by decreased expenditures from those fund sources. Alternatively, additional funding from the General Fund may be required. For example, the capital construction section of the Long Bill is typically funded by a General Fund transfer each year. If the bill results in a lower cash fund balance, a larger General Fund transfer may be required.

Expenditures will increase in state departments that use utilities savings for utilities conservation equipment or services. As these expenditures depend on certain savings and decisions made by state departments, the fiscal note does not estimate them.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill includes an appropriation to the Department of Personnel and Administration of \$26,721,314 from the Capitol Complex Renovation Fund.

State and Local Government Contacts

Legislative

Personnel and Administration

Treasury