

JOINT BUDGET COMMITTEE



STAFF BUDGET BRIEFING FY 2022-23

CAPITAL CONSTRUCTION

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

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ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2020 and 2021 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/fy21-22apprept_0.pdf

The online version of the briefing document, which includes the Numbers Pages, may be found by searching the budget documents on the General Assembly's website by visiting 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 purchase of land, 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., (added in H.B. 12-1318 and amended in S.B. 17-267) higher education academic facilities, even if constructed using solely cash funds for building 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, from which Long Bill appropriations for capital projects are made.
- 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, *Capital Construction Budget Items*, 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 typically 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 in the Emergency Controlled Maintenance Account in the Capital Construction Fund. Except for \$3.0 million appropriated in FY 2017-18, \$2.0 million is generally appropriated annually. In FY 2020-21, the account was appropriated \$2,043,768 and received an additional \$9.3 million from proceeds from the second tranche of S.B. 17-267 collateralization COPs pursuant to H.B. 20-1408, *Distribution of HB20-1377 Capital Construction Fund Money*. Reporting prior to 2020 shows \$2.5 to \$3.0 million per year spent on emergencies based on controlled maintenance spending authority.

SIGNIFICANT LEGISLATION

S.B. 21-112 GENERAL FUND TRANSFER TO CAPITAL CONSTRUCTION FUND STATE PARKS

Transfers \$20,000,000 from the General Fund to the Capital Construction Fund for FY 2020-21 for capital construction projects at 12 state parks. Appropriates \$20,000,000 Capital Construction Fund to the Department of Natural Resources for FY 2020-21.

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. 20-003 STATE PARKS IMPROVEMENT APPROPRIATION

Provides \$1.0 million to the Department of Natural Resources for infrastructure projects at the new Fishers Peak State Park. For FY 2020-21, reduces appropriations by \$1.0 million General Fund to the Governor's Office of Information Technology; transfers \$1.0 million General Fund to the Capital Construction Fund; and appropriates \$1.0 million Capital Construction Fund to the Department of Natural Resources.

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. 20-1398 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)
Total	(\$7,561,261)

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.

Other recent 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*, beginning in FY 2019-20, 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

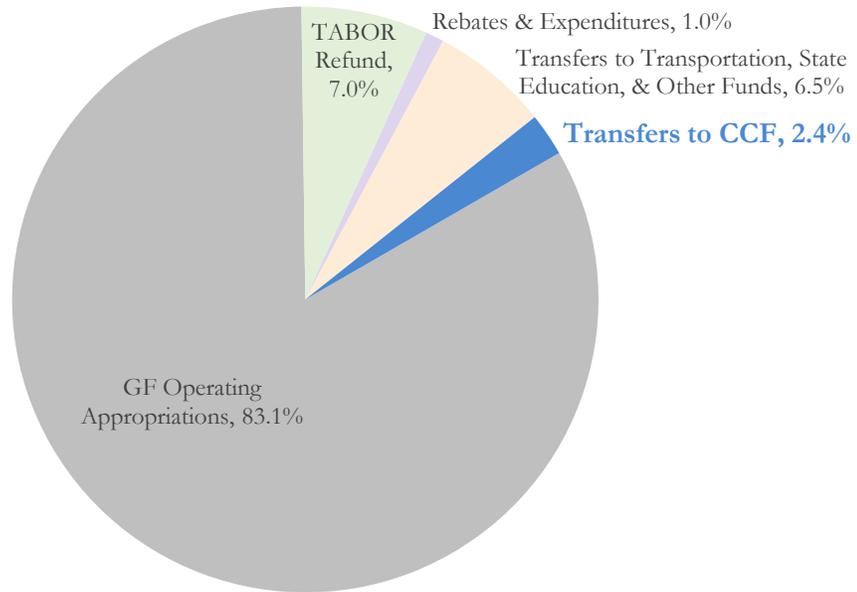
FUNDING SOURCE	FY 2019-20	FY 2020-21 ¹	FY 2021-22	FY 2022-23 ²
Capital Construction Fund	\$165,262,575	\$73,543,768	\$217,504,487	\$308,107,666
Cash Funds	179,636,738	\$70,936,641	79,429,276	61,528,894
Reappropriated Funds	0	0	1,800,000	0
Federal Funds	397,370	\$31,492,456	3,092,683	0
TOTAL FUNDS	\$345,296,683	\$175,972,865	\$301,826,446	\$369,636,560

¹CCF in FY 2020-21 includes \$2,543,768 appropriated in the 2020 Long Bill (H.B. 20-1360) and \$71.0 million appropriated in other bills.

²Requested appropriation includes Governor's request as submitted without technical corrections.

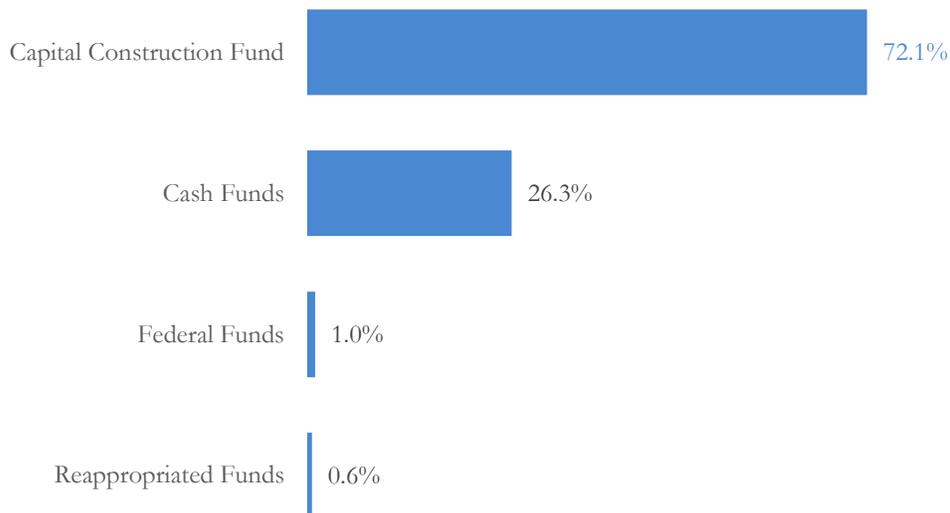
CAPITAL CONSTRUCTION: GRAPHIC OVERVIEW

Share of Total Statewide General Fund



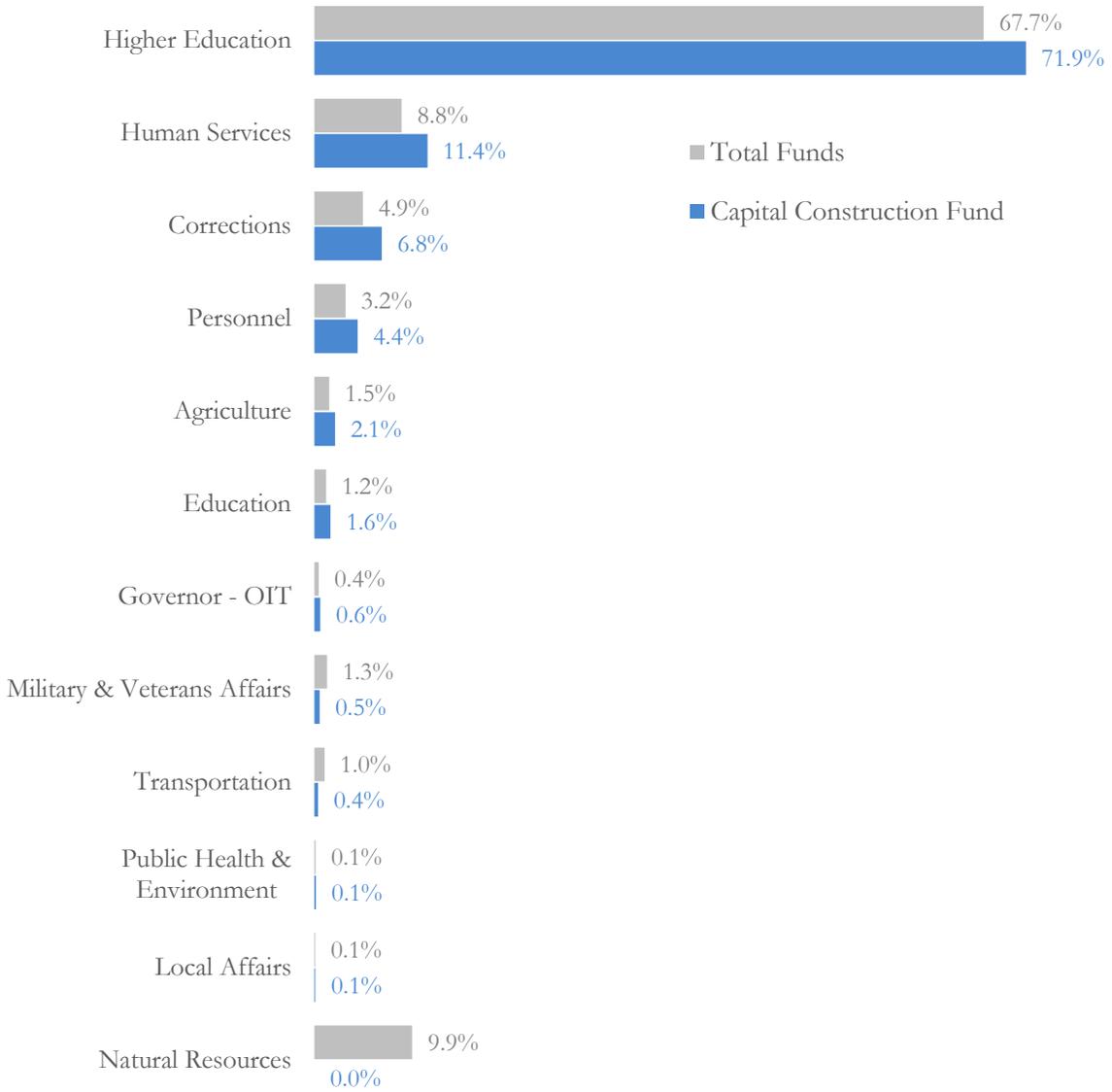
Source: Legislative Council Staff September 2021 Forecast

Capital Construction Funding Sources



Based on the FY 2021-22 appropriation.

Distribution of Funds by Department



Based on the FY 2021-22 appropriation.

GENERAL FACTORS DRIVING THE BUDGET

Capital Construction funding for FY 2021-22 consists of 72.1 percent Capital Construction Fund, 26.3 percent cash funds, 1.0 percent federal funds, and 0.6 percent reappropriated funds.

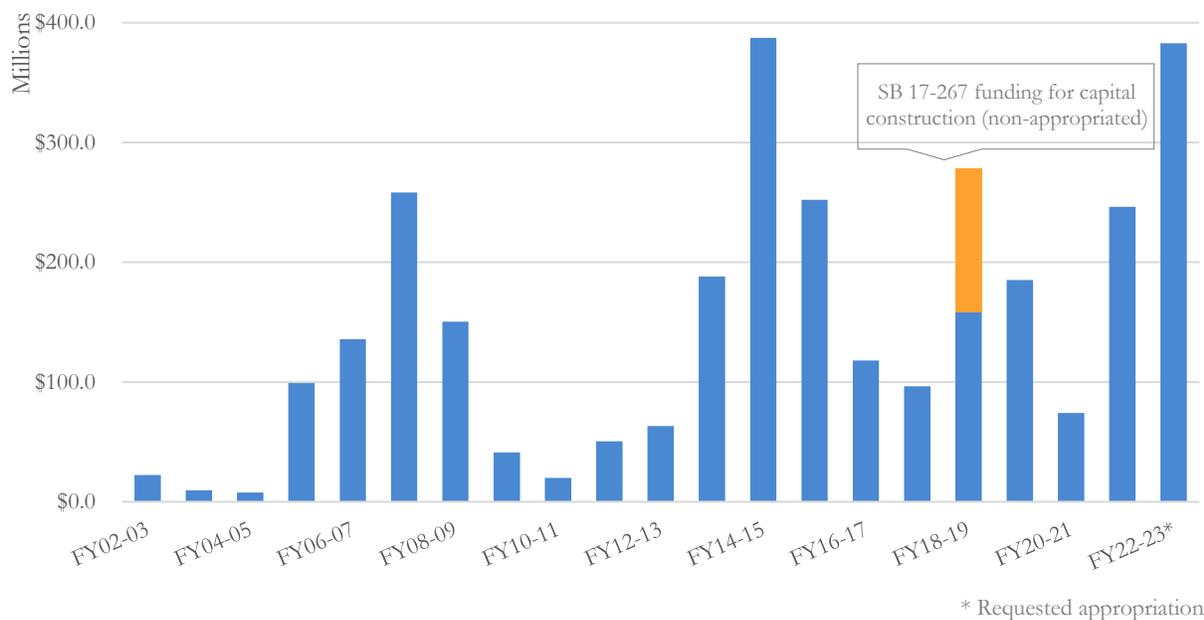
The primary budget driver is General Fund revenue available in any given year. Sufficient funding for controlled maintenance and recapitalization is proportional to the current replacement value of existing building inventory. Additionally, new building construction at institutions of higher education since FY 2003-04 has generated a substantial commitment to controlled maintenance for the State.

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 cash 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 for IT projects) since FY 2002-03.

Historic 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 \$128.2 million and the 10-year average is \$176.9 million. However, the 5-year average of \$152.0 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 non-state-funded (funded entirely through institutional cash and federal funds) are not included in state appropriation bills. Those higher education cash-funded capital construction projects and projects financed through the revenue bond intercept program 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 also require 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 – *capital expansion* – 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 state 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* can be used generally to describe controlled maintenance and capital renewal for recapitalizing the existing building stock, and is therefore a good term that encompasses renovation.

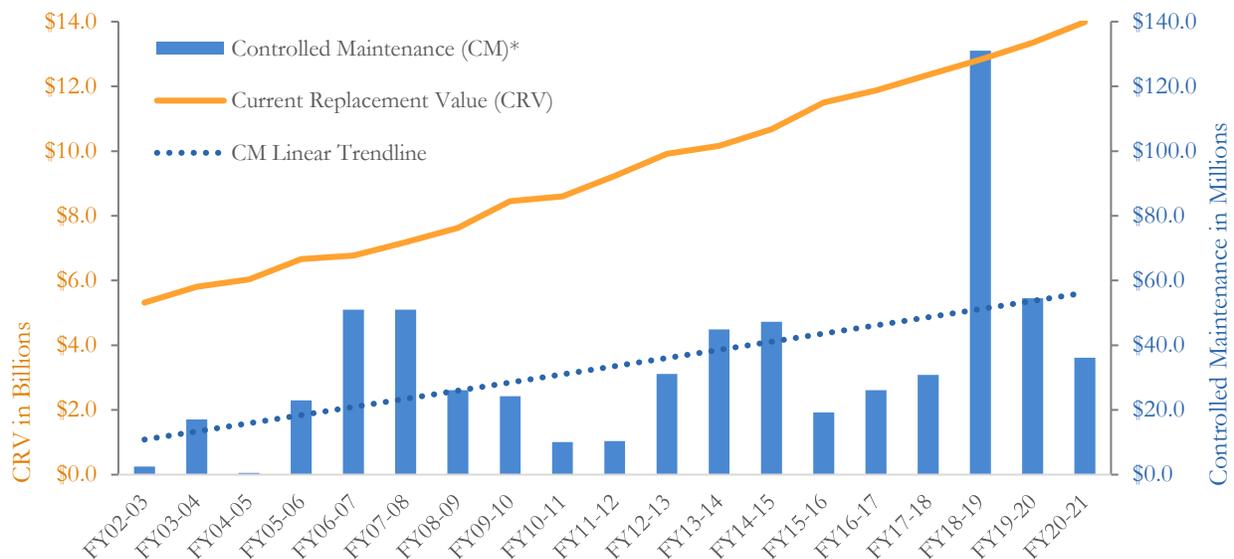
While the terms *repair* and *maintenance* are sometimes used in connection with controlled maintenance projects, ongoing repair and maintenance of systems or subsystems are typically provided by day-to-day facilities management operations and paid for within the annual facility operating cost for a building. Repair and maintenance is an annual process, while recapitalization provides 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 2002-03.

Controlled Maintenance Funding Compared to Current Replacement Value



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

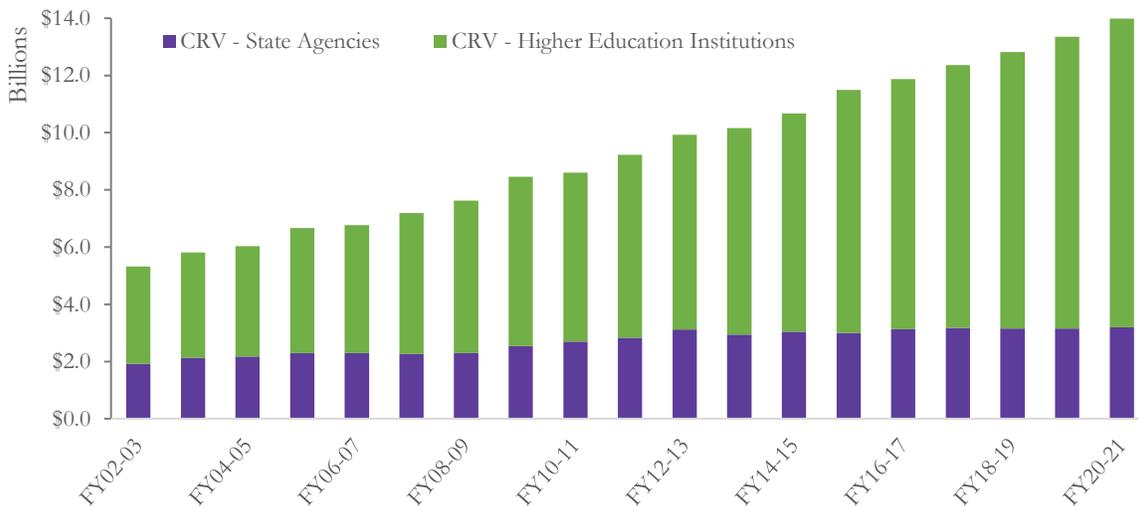
The CRV scale, represented in billions, is shown on the left side of the chart with values reflected in the orange line. The CM scale, represented in millions, is shown on the right side of the chart with values reflected in the blue bars. The CM scale is set equal to 1.0 percent of the CRV scale. Controlled 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 \$130.1 million (including \$15.1 million in Long Bill appropriations, \$113.9 million in state funds from S.B. 17-267 collateralization COPs, and \$2.0 million from the Emergency Controlled Maintenance Account) nearly equaled 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 equaled \$1.1 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 2002-03 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

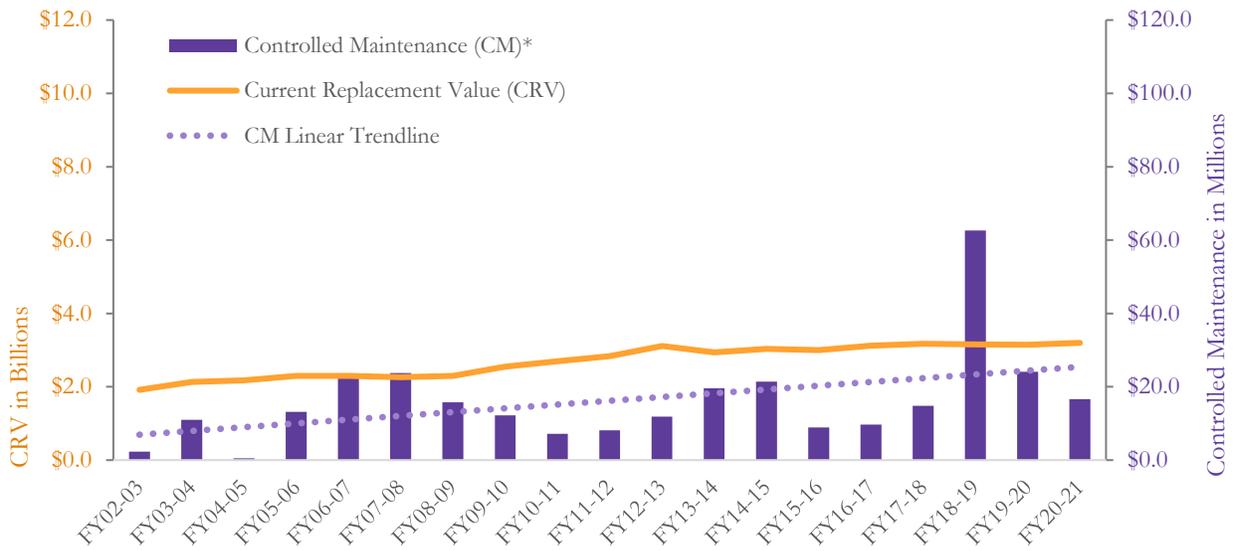


In FY 2002-03, current replacement values totaled \$1.9 billion for state agencies and \$3.4 billion for higher education institutions, representing 36.0 percent and 64.0 percent respectively of the \$5.3 billion total inventory. The state agency building inventory increased 66.9 percent over the 19-year period shown in the chart, a compound average growth rate of 2.7 percent per year, while the higher

education building inventory increased 217.4 percent over that period, a compound average growth rate of 6.3 percent per year.

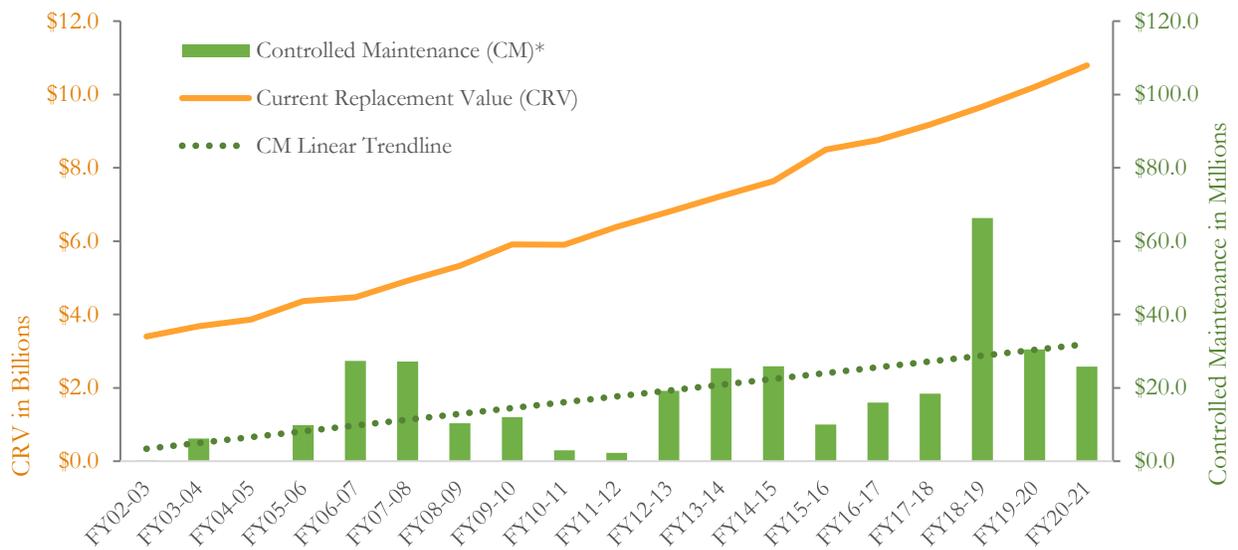
The charts below outline CM to CRV comparisons by state agency buildings and by higher education buildings. As shown, closing the gap between actual controlled maintenance funding and 1.0 percent of current replacement value is very achievable for state agency buildings, but less so for higher education 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 2021-22 APPROPRIATION & FY 2022-23 REQUEST

CAPITAL CONSTRUCTION							ADD'L OUT-YEAR STATE FUNDS
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS	
FY 2021-22 APPROPRIATION:							
		\$301,716,984	\$217,395,025	\$79,429,276	\$1,800,000	\$3,092,683	
		109,462	109,462	0	0	0	
		\$301,826,446	\$217,504,487	\$79,429,276	\$1,800,000	\$3,092,683	
FY 2022-23 STATE-FUNDED REQUESTED APPROPRIATION:							
Priority							
OSP	CCH						
n/a	n/a						
1		17,496,791	\$17,496,791	\$0	\$0	\$0	52,497,110
2		44,105,652	44,105,652				0
3		54,380,164	54,380,164	0	0	0	0
4		9,539,209	9,539,209	0	0	0	0
5		2,324,904	2,324,904	0	0	0	0
6		12,402,937	12,402,937	0	0	0	0
7		17,559,780	17,559,780	0	0	0	29,701,999
8	13	4,586,656	4,540,656	46,000	0	0	0
9		19,114,483	19,114,483	0	0	0	11,410,960
		2,341,663	2,341,663	0	0	0	0
		\$183,852,239	\$183,806,239	\$46,000	\$0	\$0	\$93,610,069
10		26,327,421	26,327,421	0	0	0	0
11		5,278,877	5,278,877	0	0	0	0
12		5,349,710	5,349,710	0	0	0	0
13		6,055,136	6,055,136	0	0	0	0
14	5	4,421,473	4,200,399	221,074	0	0	0
15	14	3,995,492	3,831,677	163,815	0	0	0
16	5	3,944,152	3,944,152	0	0	0	5,850,030
17		10,682,004	10,682,004	0	0	0	31,649,491
18		2,800,000	2,800,000	0	0	0	42,546,904
19	20	3,191,946	3,066,231	125,715	0	0	0
20		1,774,654	1,774,654	0	0	0	0
21		5,123,993	5,123,993	0	0	0	0
22		3,239,873	3,239,873	0	0	0	0
23		997,879	997,879	0	0	0	0
24		625,629	625,629	0	0	0	0
25	23	18,948,014	18,758,534	189,480	0	0	0
26	4	1,165,125	1,165,125	0	0	0	0
27	3	22,938,121	21,080,133	1,857,988	0	0	0
		\$126,859,499	\$124,301,427	\$2,558,072	\$0	\$0	\$80,046,425

¹ 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.

CAPITAL CONSTRUCTION							
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS	ADD'L OUT-YEAR STATE FUNDS
Priority							
OSPB	CCHE	FY 2022-23 CASH-FUNDED REQUESTED APPROPRIATION:					
1		Depreciation Fund Capital Improvements	1,037,372	0	1,037,372	0	0
2		HistCO: Georgetown Loop Preservation Projects (CR)	385,000	0	385,000	0	0
3		DNR: Infrastructure & Real Property Maintenance	46,502,450	0	46,502,450	0	0
4		DNR: Property Acquisitions & Improvements	11,000,000		11,000,000		
		SUBTOTAL – Cash Funded, Recommended	\$58,924,822	\$0	\$58,924,822	\$0	\$0
		TOTAL -FY 2022-23 Governor's Request	\$369,636,560	\$308,107,666	\$61,528,894	\$0	\$0
		INCREASE/(DECREASE)	\$67,810,114	\$90,603,179	(\$17,900,382)	(\$1,800,000)	(\$3,092,683)
		FY 2022-23 JBC staff technical adjustments to Governor's Request (add to FY 2022-23 total)					
		HED: CSU National Western Center Lease Purchase Payments ¹	0	(17,496,791)	17,496,791	0	0
		SUBTOTAL - Technical Adjustments	\$0	(\$17,496,791)	\$17,496,791	\$0	\$0
		TOTAL - FY 2022-23 Adjusted Governor's Request	\$369,636,560	\$290,610,875	\$79,025,685	\$0	\$0
		INCREASE/(DECREASE)	\$67,810,114	\$73,106,388	(\$403,591)	(\$1,800,000)	(\$3,092,683)
		Percentage Change	22.5%	33.6%	(0.5%)	(100.0%)	(100.0%)

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

The following table includes additional building capital projects prioritized by CCHE but not by OSPB.

		CAPITAL CONSTRUCTION					ADD'L OUT-YEAR STATE FUNDS	
		TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS		
Priority		FY 2022-23 STATE-FUNDED - OSPB NON-PRIORITIZED, NOT RECOMMENDED						
OSPB	CCHE							
		CDOT: Funding Concept for 3 New Automated Weather Observing Stations	750,000	450,000	300,000	0	0	0
18		HED: CSU Anatomy-Zoology Building ph 1/2 (CR)	18,200,336	18,200,336	0	0	0	12,381,896
5		HED: NJC Applied Technology Campus Expansion & Remodel ph 1/3	12,575,000	11,500,000	1,075,000	0	0	3,650,000
28		HED: CUS ARDEC Infrastructure Improvements ph 1/2	11,907,013	11,907,013	0	0	0	6,431,078
29		HED: CSU-P ART/Music Renovation	19,055,000	18,864,450	190,550	0	0	0
24		HED: CSM Arthur Lakes Library Renovation	15,000,000	12,000,000	3,000,000	0	0	0
16		HED: AHEC Campus-wide HVAC Repl (CR)	22,147,382	22,147,382	0	0	0	0
21		HED: ASU Central Technology Renov	7,710,205	7,633,103	77,102	0	0	0
5		HED: CSU Clark Bldg Renov & Additions ph 1/2	68,927,539	38,927,539	30,000,000	0	0	37,480,741
15		HED: MSU Classroom to Career Hub (C2 Hub)	16,924,999	15,215,574	1,709,425	0	0	0
10		HED: UCD Bldg Infra Repair & Renov (CR)	34,977,954	25,883,686	9,094,268	0	0	0
30		HED: UCD Engineering Bldg Renov ph 1/3	19,788,852	14,643,751	5,145,101	0	0	45,230,855
12		HED: PCC Dental Hygiene Expansion Project	6,300,000	6,300,000	0	0	0	0
32		HED: CMU Electrical & Computer Engineering Bldg	23,392,398	21,029,766	2,362,632	0	0	0
33		HED: CMU Energy Independence	7,547,354	6,785,071	762,283	0	0	0
21		HED: UCCS Engineering Bldg Renov 1/2	15,687,153	15,687,153	0	0	0	22,548,807
17		HED: PPCC First Resp Emerg Ed Comp Cent	36,319,477	33,395,759	2,923,718	0	0	0
11		HED: UCB Guggenheim Geog Ren ph 1/2	30,194,573	12,077,829	18,116,744	0	0	0
26		HED: MSU Health Institute ph 1/4	7,706,993	7,706,993	0	0	0	79,530,952
2		HED: UCB Hellems Arts & Sciences and Outdoor Theater Renov 2/3	27,170,095	10,868,038	16,302,057	0	0	10,867,541
27		HED: UCB Macky Auditorium Renov 1/3	20,873,673	8,349,469	12,524,204	0	0	12,308,592
18		HED: CMU Maverick Center Renov/Exp	42,298,905	38,026,716	4,272,189	0	0	0
25		HED: PCC Medical Technology Renovation (CR)	600,000	600,000	0	0	0	0
34		HED: CCCS-Lowry North Quad Level 1 Remodel	1,998,685	1,998,685	0	0	0	0
5		HED: CMU Replace Robinson Theater	43,886,756	39,454,194	4,432,562	0	0	0
31		HED: CMU Student Parking Garage	25,408,566	22,842,301	2,566,265	0	0	0
1		HED: CSM Subsurface Frontiers Bldg	177,213,547	18,143,259	159,070,288	0	0	0
		DHS: Gilliam Youth Services Center Replacement and DYS Training Center 1/3	4,827,171	4,827,171	0	0	0	3,334,360
		DHS: CMHIP Kitchen Improvements	20,450,520	20,450,520	0	0	0	0
		DHS: DYS Career Technical Education 1/3	11,951,330	11,951,330	0	0	0	25,335,359
		DHS: Grand Mesa and Platte Valley Separation of Use 1/3	2,812,095	2,812,095	0	0	0	34,121,566
		DHS: Mental Health Institutes, Facility Modernization 1/3	28,545,182	28,545,182	0	0	0	882,738,878
		DOC: ECCPC Electrical Distrib Infra Repl(CR)	14,764,340	14,764,340	0	0	0	0
		DOC: AVCF Electronic Security System Repl (CR)	3,520,144	3,520,144	0	0	0	0
		DOC: CSP Electronic Security System Repl (CR)	4,696,314	4,696,314	0	0	0	0
		DOC: DWCF Support Bldg Roof Repl (CR)	2,225,500	2,225,500	0	0	0	0
		HistCO: Grant-Humphreys Mansion Exterior Life Safety Repairs & Rehab (CR)	4,043,639	4,043,639	0	0	0	0
		SUBTOTAL - OSPB Non-Prioritized, Not Recommended for Funding	\$812,398,690	\$538,474,302	\$273,924,388	\$0	\$0	\$1,175,960,625

CAPITAL CONSTRUCTION						ADD'L OUT-YEAR STATE FUNDS
	TOTAL FUNDS	CAPITAL CONSTRUCTION FUND	CASH FUNDS	REAPPROP FUNDS	FEDERAL FUNDS	
SUBTOTAL – All CCHE prioritized	\$777,003,434	\$500,774,974	\$276,228,460	\$0	\$0	\$236,280,492
SUBTOTAL – All projects with out-year commitments	\$322,569,642	\$257,523,280	\$65,046,362	\$0	\$0	\$1,349,617,119
Percent of state funds requested in current year		19.1%				

STAFF NOTES ON THE BUILDING CAPITAL REQUEST

The OSPB request categorizes projects into two classifications of recommended funding – those that are “Most Urgent Capital Construction Requests” and those that are “Important Investment Capital Construction Requests”. This differs from previous years where there was only one line separating recommended projects from non-recommended projects. Additionally, OSPB did not prioritize the list of projects not recommended for funding; these projects are presented in alphabetical order by department and project name.

CSU NWC COP Payments

Funding for CSU NWC COP payments is provided from the National Western Center Trust Fund (NWCTF) created in Section 23-31-902 (2), C.R.S. Beginning July 1, 2019, for up to 20 years, funds for all COP payments up to \$20.0 million are to be transferred into the NWCTF. Funding for these payments is therefore reflected in the Long Bill as a cash funds appropriation. Staff has included a fund source adjustment reflected in the FY 2022-23 Adjusted Governor’s Request.

ISSUE: ALTERING THE JBC AND CDC JOINT MEETING REQUIREMENT

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 Capital Development Committee (CDC), the JBC must notify the CDC and allow for a joint meeting of the two committees. This is problematic in years in which the CDC prioritizes new building projects ahead of controlled maintenance, capital renewal, and previously funded, phased projects. In order to fund the aforementioned types of projects without triggering the joint meeting requirement, the JBC has to fund further down the list than they might otherwise.

SUMMARY

- In recent years, the CDC has prioritized new building projects ahead of controlled maintenance, capital renewal, and previously funded, phased capital projects. As a result, the JBC has no choice but to fund further down the list than they might otherwise to reach those types of projects without triggering the joint meeting requirement.
- This issue could be addressed by a statutory change to Section 2-3-203 (1)(b.2)(I)(B), C.R.S., to specify that the meeting requirement is only triggered if the JBC alters the priority of *new capital expansion* projects.

RECOMMENDATION

Staff recommends the JBC pursue legislation to amend Section 2-3-203 (1)(b.1)(I)(B), C.R.S., to provide for a joint meeting only if the JBC's recommendation will "alter the determinations of priority FOR NEW CAPITAL EXPANSION PROJECTS established by the capital development committee...".

DISCUSSION

It is staff's opinion that changes to the existing building stock – controlled maintenance, capital renewal, and renovation – should conceptually be considered "base budget items" when contemplating funding for capital projects. Additionally, phased capital expansion projects that have already been granted funding for at least one phase should be prioritized ahead of starting new capital expansion projects. Staff therefore believes that altering statute to allow the JBC to prioritize the aforementioned types of projects ahead of new capital expansion projects does not infringe upon the CDC's authority over prioritization of capital projects.

The existing statutory requirement for a joint meeting sets the CDC up to strategically maximize JBC funding; it causes the JBC to fund down the list further than they might otherwise if they want to continue to fund previously funded, phased projects or add more controlled maintenance or capital renewal without triggering the joint meeting requirement. Amending statute to specify that the joint meeting requirement is only triggered if the JBC changes the priority for new capital expansion projects will encourage JBC prioritization of controlled maintenance, capital renewal, and phased/ongoing capital projects without obligating the JBC to fund further down the list. Joint meetings should and would be reserved for differences in prioritizing new projects.