



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 18-1011 Date: April 13, 2018
Prime Sponsors: Rep. Hansen; Esgar Bill Status: House Finance
Sen. Kefalas; Baumgardner Fiscal Analyst: Kori Donaldson | 303-866-4976
Kori.Donaldson@state.co.us

Bill Topic: CONTROLLED MAINTENANCE FINANCED ACQUIRED PROPERTY

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill makes changes to future controlled maintenance eligibility and funding for capital construction projects financed through a lease-purchase arrangement. The bill is expected to increase state expenditures.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, as recommended by the Capital Development Committee.

Summary of Legislation

This bill requires that lease-purchase agreements, such as certificates of participation (COPs), that finance the acquisition, construction, or renovation of state buildings include a reserve to pay the future controlled maintenance needs of the financed facility. The reserve cannot be spent until the 16th year after the acquisition or substantial completion of a project financed through a lease-purchase agreement. The bill also eliminates the eligibility of financed facilities for future controlled maintenance appropriated from state funds.

Background

The Office of the State Architect publishes annual budget instructions limiting requests for state-funded controlled maintenance until the 16th year after a building is purchased or construction is substantially complete. Spending from the reserve required by this bill is consistent with this practice.

State Expenditures

To the extent that the General Assembly authorizes financing for capital construction projects through a future COP issuance, the bill will increase expenditures for annual lease payments and it may increase expenditures for controlled maintenance. The addition of a reserve requirement will increase the overall amount financed through a COP issuance, which will create

a corresponding increase in the annual lease payments. Furthermore, this fiscal note assumes that the portion of a lease payment attributable to the reserve requirement will be taxable, and so the repayment cost will be slightly higher than the other financed costs. Annual lease payments can be made from state or cash fund sources.

The bill may increase expenditures for future controlled maintenance, beginning in the 16th year after the purchase or substantial completion of a facility financed through a COP issuance. The outstanding deferred maintenance need for state facilities is such that paying controlled maintenance for projects financed through a COP issuance from a reserve account is unlikely to decrease the overall outyear spending for controlled maintenance through the regular budget process. However, it should make moneys that might otherwise have been spent on facilities financed through a COP available for controlled maintenance of other state-owned buildings.

## **Effective Date**

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed.

## **State and Local Government Contacts**

Personnel

Treasury