

# JOINT BUDGET COMMITTEE



## STAFF BUDGET BRIEFING FY 2024-25

## CAPITAL CONSTRUCTION

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

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## CONTENTS

Capital Construction Overview .....	2
Department Budget: Recent Appropriations .....	7
Department Budget: Graphic Overview .....	8
General Factors Driving the Budget.....	10
Summary: FY 2023-24 Appropriation & FY 2024-25 Request.....	15
Informational Issue: DOC Controlled Maintenance Funding .....	19
Discussion.....	19
Issue: Legislative Proposal to Raise the Controlled Maintenance Threshold .....	21
Recommendation.....	21
Discussion.....	21
Issue: Natural Resources Cash Funds/Capitol Complex Renovation Changes .....	23
Summary.....	23
Recommendation.....	23
Discussion.....	23
Appendix A Footnotes and Information Requests.....	A-1
Appendix B FY 2023-24 Funded Projects .....	B-1

### ADDITIONAL RESOURCES

Brief summaries of all bills that passed during the 2023 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/fy23-24apprept.pdf>

The online version of the briefing document may be found by searching the budget documents on the General Assembly’s website by visiting [leg.colorado.gov/content/budget/budget-documents](https://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 acquisition of a capital asset or disposition of real property, 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., higher education academic facilities, even if constructed using solely cash funds for buildings 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 (CCF), from which Long Bill appropriations for capital projects are made. *FY 2022-23 was an exception, with most funding originating as federal Coronavirus State Fiscal Recovery funds (ARPA funds) and appropriated directly from the Revenue Loss Restoration Cash Fund.*
- 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 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 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 (typically \$3.0 million) from the Emergency Controlled Maintenance Account within the Capital Construction Fund.

## SIGNIFICANT LEGISLATION

### **S.B. 23-250 TRANSFER FROM THE SEVERANCE TAX OPERATIONS CASH FUND**

Transfers \$10.0 million from the Severance Tax Operational Fund to the Capital Construction Fund to provide funding for two capital construction projects: expansion of the campus-wide geothermal-exchange system on the main campus at Colorado Mesa University (\$6.0 million) and additional teaching and laboratory space for the Petroleum Geology Program at Western Colorado University (\$4.0 million).

### **S.B. 23-306 BUILDINGS IN THE CAPITOL COMPLEX**

Modifies funding mechanisms established by S.B. 22-239 (Buildings in the Capitol Complex) by requiring that an existing annual transfer of approximately \$2.5 million from the General Fund to the Capitol Complex Master Plan Implementation Fund is subsequently transferred to the Capitol Complex Renovation Fund and shifting the date that annual lease depreciation funds are transferred to the Capitol Complex Renovation Fund from June 30 of each fiscal year to July 1 of each fiscal year through July 1, 2028. The bill also specifies space determinations for the Legislative Department in the Capitol Building Annex and 1525 Sherman.

**S.B. 22-239 BUILDINGS IN THE CAPITOL COMPLEX**

Diverts statutorily-required appropriations for the depreciation – lease equivalent payment mechanism for FY 2022-23 through FY 2028-29 to the Capitol Complex Renovation Fund for capital construction renovation projects in the Capitol Complex. These payments predominantly originate from the General Fund and are otherwise made to the Capital Construction Fund and Controlled Maintenance Trust Fund. Transfers \$18.6 million from the Capitol Complex Master Plan Implementation Fund to the Capitol Complex Renovation Fund on September 1, 2022. Appropriates \$26.7 million from the Capitol Complex Renovation Fund to the Department of Personnel and Administration in FY 2022-23. Beginning July 1, 2023, whenever a state agency terminates a lease for private space, it must calculate the annual reduction in its costs for the leased space. These savings must be transferred to the Capital Construction Fund each year starting in FY 2023-24 until the total equals the amount transferred into the Capitol Complex Renovation Fund as a result of this bill.

**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. 20-219 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. 20-1408 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.

**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)
<b>Total</b>	<b>(\$7,561,261)</b>

Other 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 (OSA) 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) 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). Because COPs have been issued on behalf of CSU projects, the amount transferred to the CCMP Implementation Fund represents the difference between \$20 million and the annual lease purchase payment.

## DEPARTMENT BUDGET: RECENT APPROPRIATIONS

FUNDING SOURCE	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25 *
General Fund/CCF	\$221,617,703	\$13,539,305	\$266,358,189	\$154,074,229
Cash Funds	88,178,862	565,145,722	236,000,157	104,518,386
Reappropriated Funds	1,800,000	0	0	0
Federal Funds	3,092,683	1,765,330	2,379,097	0
<b>TOTAL FUNDS</b>	<b>\$314,689,248</b>	<b>\$580,450,357</b>	<b>\$504,737,443</b>	<b>\$258,592,615</b>

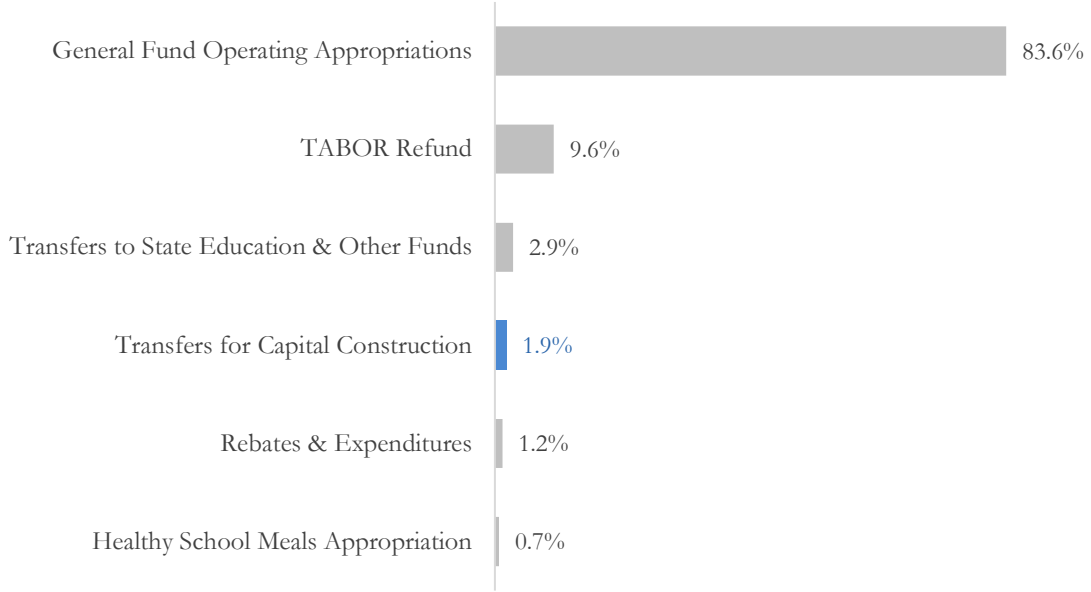
\*Requested appropriation.

Capital projects in the FY 2022-23 Long Bill were primarily funded from the Revenue Loss Restoration Cash Fund, originating as federal Coronavirus State Fiscal Recovery funds (ARPA funds). In the FY 2023-24 Long Bill, \$41.1 million from the Revenue Loss Restoration Cash Fund was used to fund Level 1 controlled maintenance projects in the Department of Higher Education. Cash fund appropriations compared to General Fund/CCF appropriations are higher than normal in those two years as a result.



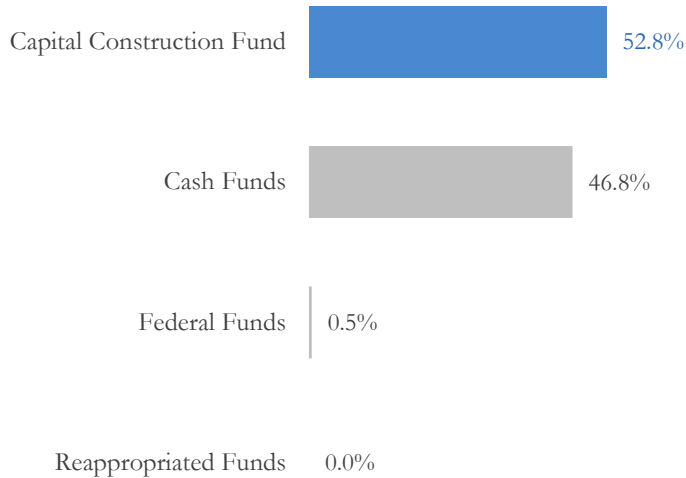
# DEPARTMENT BUDGET: GRAPHIC OVERVIEW

## LCS September 2023 General Fund Overview



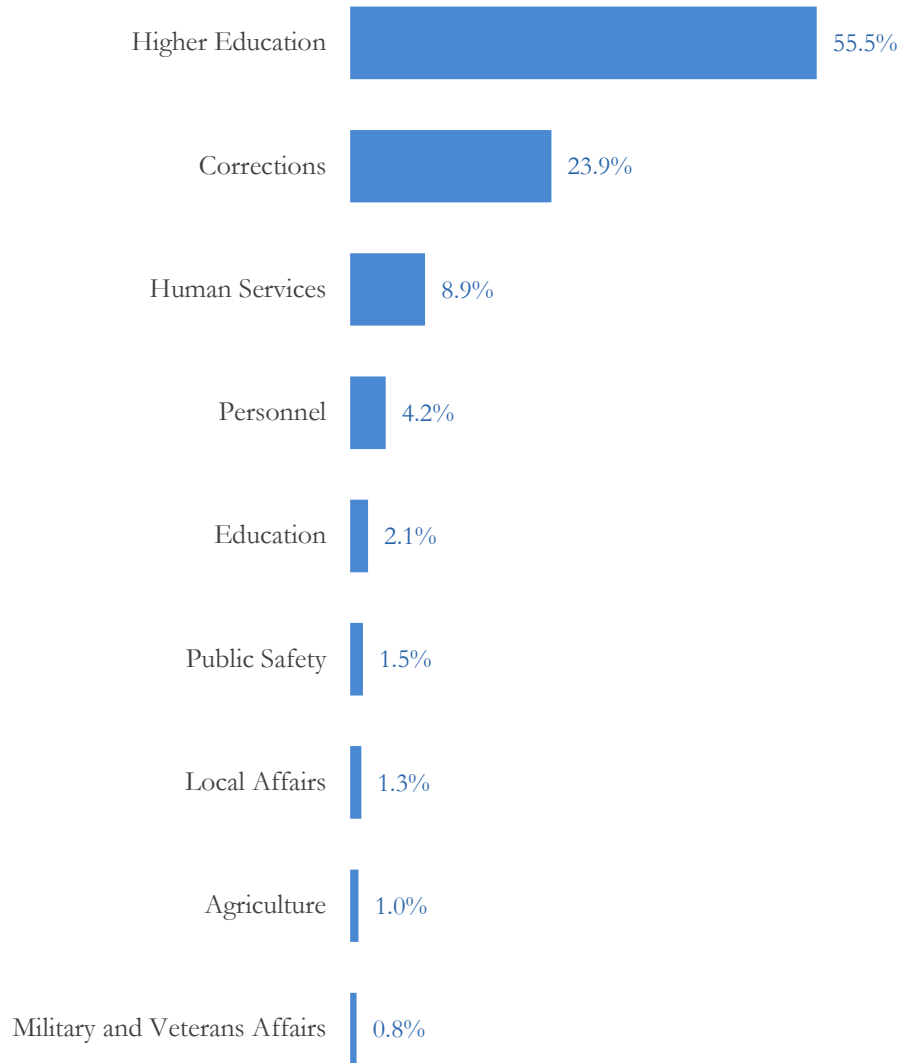
Based on the FY 2023-24 appropriation.

## Capital Construction Funding Sources



Based on the FY 2023-24 appropriation.

### Distribution of Capital Construction Fund by Department



Based on the FY 2023-24 appropriation.

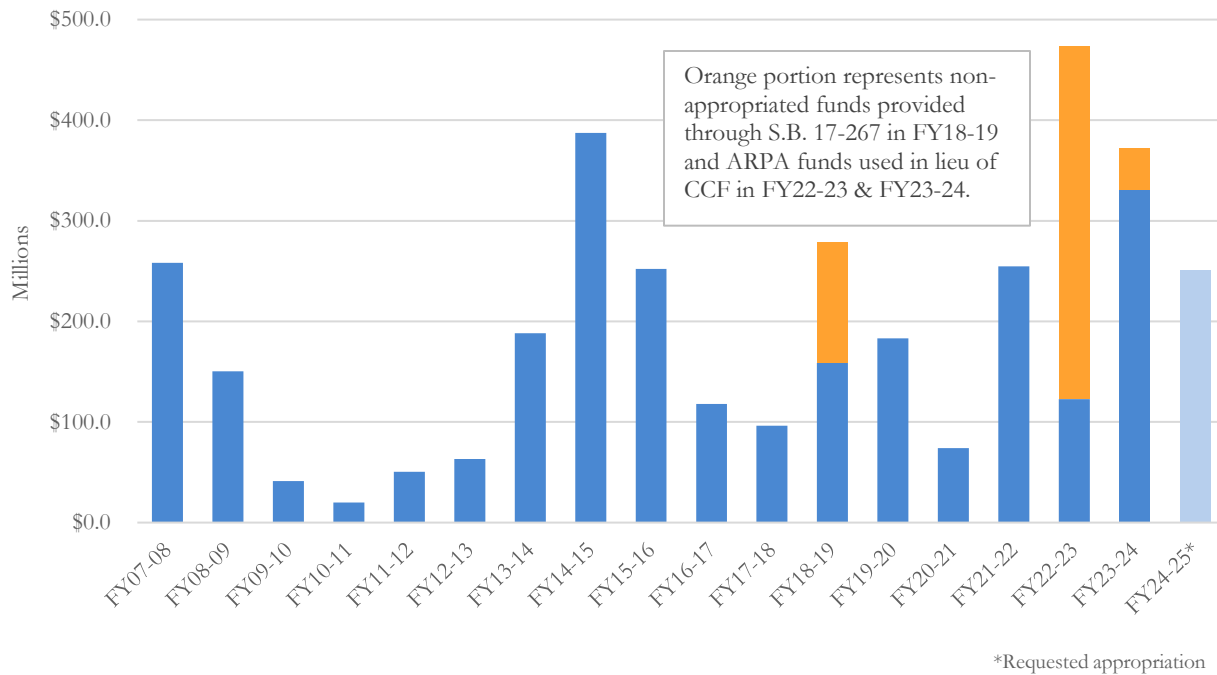
## GENERAL FACTORS DRIVING THE BUDGET

Capital Construction funding for FY 2023-24 consists of 52.8 percent Capital Construction Fund, 46.8 percent cash funds, 0.5 percent federal funds, and no reappropriated funds. The primary budget driver of the Capital Construction budget is General Fund revenue available in any given year.

### 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. 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 IT capital projects) since FY 2007-08.

Appropriations for capital construction vary significantly from year to year.



The FY 2018-19 amount includes appropriations as well as the statutory state funding enacted in S.B. 17-267. The FY 2022-23 and FY 2023-24 amounts include appropriations from the Revenue Loss Restoration Cash Fund that originated from the federal American Rescue Plan Act of 2021 and provided significant one-time funding for capital. The average CCF appropriation from FY 2007-08 through FY 2023-24 was \$191.8 million, and the average for the last five years was \$271.5 million.

Higher education projects that are not state-funded (funded entirely through institutional cash and federal funds) are not included in state appropriation bills. Higher education cash-funded capital construction projects 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 require CDC and JBC approval.

### PRIORITIZING CONTROLLED MAINTENANCE AND CAPITAL RENEWAL

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 – referred to as *capital expansion* in the Long Bill – 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 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.

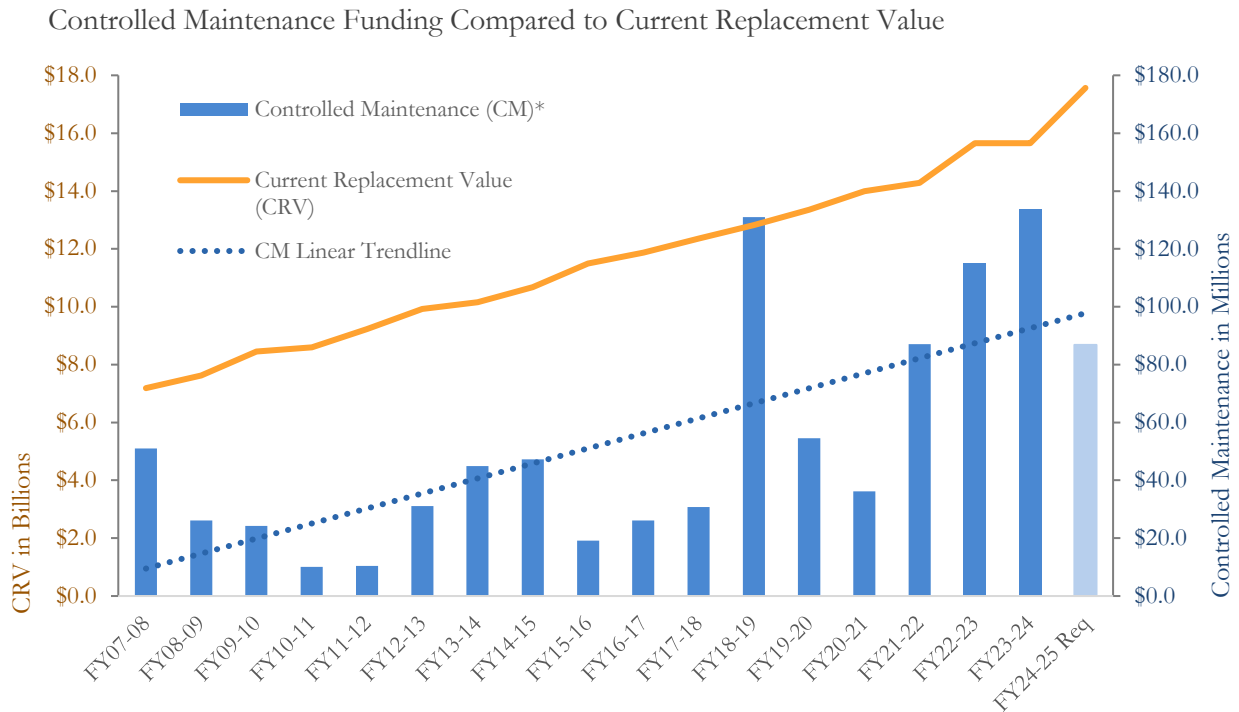
*Capital renewal* is defined in Section 24-30-1301 (3), C.R.S., as a controlled maintenance project or group of projects with costs exceeding \$2.0 million in a fiscal year. *Renovation* projects are typically identified as capital construction rather than capital renewal because they include improvement 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* is used in the Long Bill to categorize renovation projects alongside capital renewal, as both types of projects improve the existing building stock.

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 controlled maintenance, capital renewal, and renovation provide benefits expected to last beyond a year.

The State Architect's annual report always includes 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 2007-08. 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. The space between the bars and the 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.

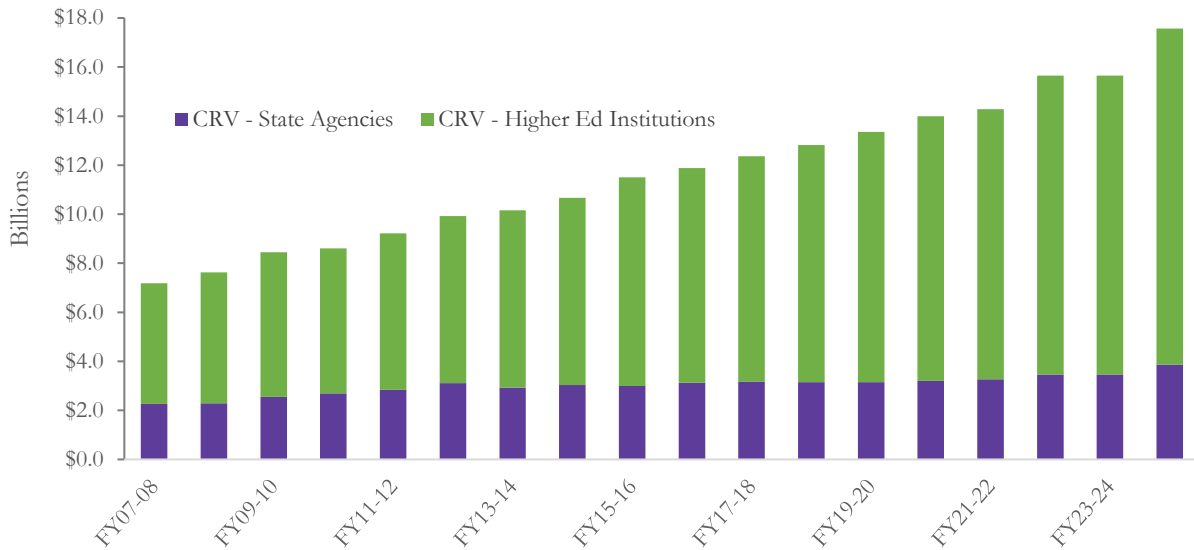


As shown above, appropriations have only met or exceeded the 1.0 percent goal in one of the last seventeen years. In FY 2018-19, total controlled maintenance funding of \$131.0 million slightly exceeded 1.0 percent CRV due to significant one-time funding provided through the S.B. 17-267 certificates of participation (COP) issuance. The total shortfall in controlled maintenance funding compared to 1.0 percent of CRV over the time period shown in the table (including the request year) equals \$1.1 billion.

### COMMITMENTS FOR HIGHER EDUCATION CAPITAL CONSTRUCTION

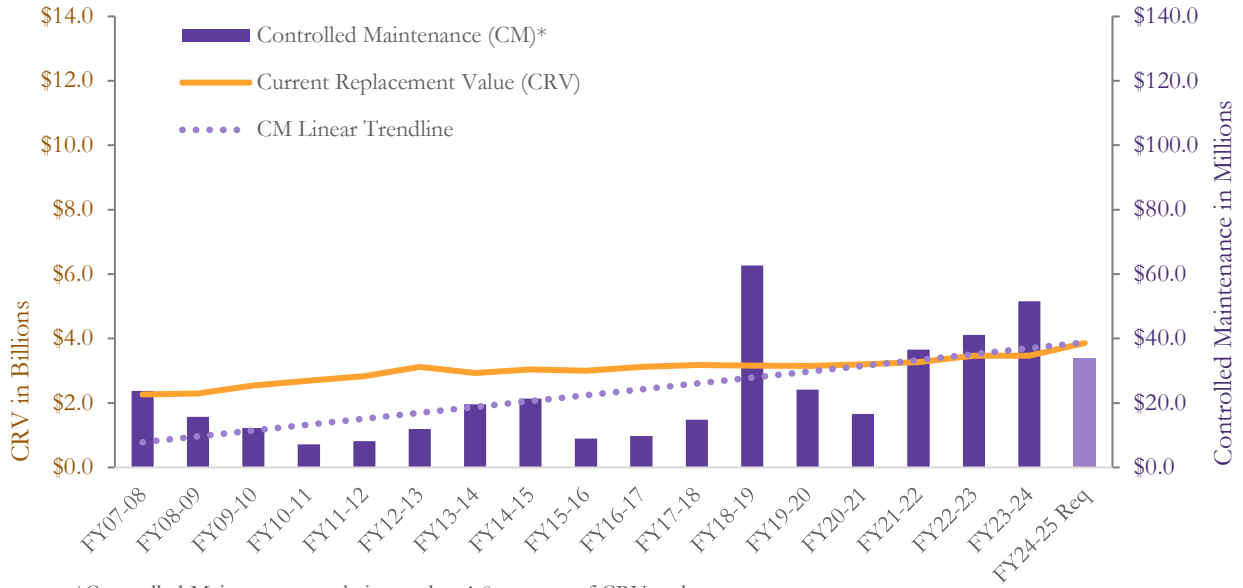
Institutions of Higher Education hold the largest portion of the state's building inventory. The higher education total does not include the value of non-academic buildings, which are not provided state-funded controlled maintenance. The following chart outlines the current replacement value of academic buildings at institutions of higher education and state agencies since FY 2007-08 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.

CRV growth for higher education institutions has significantly outpaced CRV growth for state agency buildings.

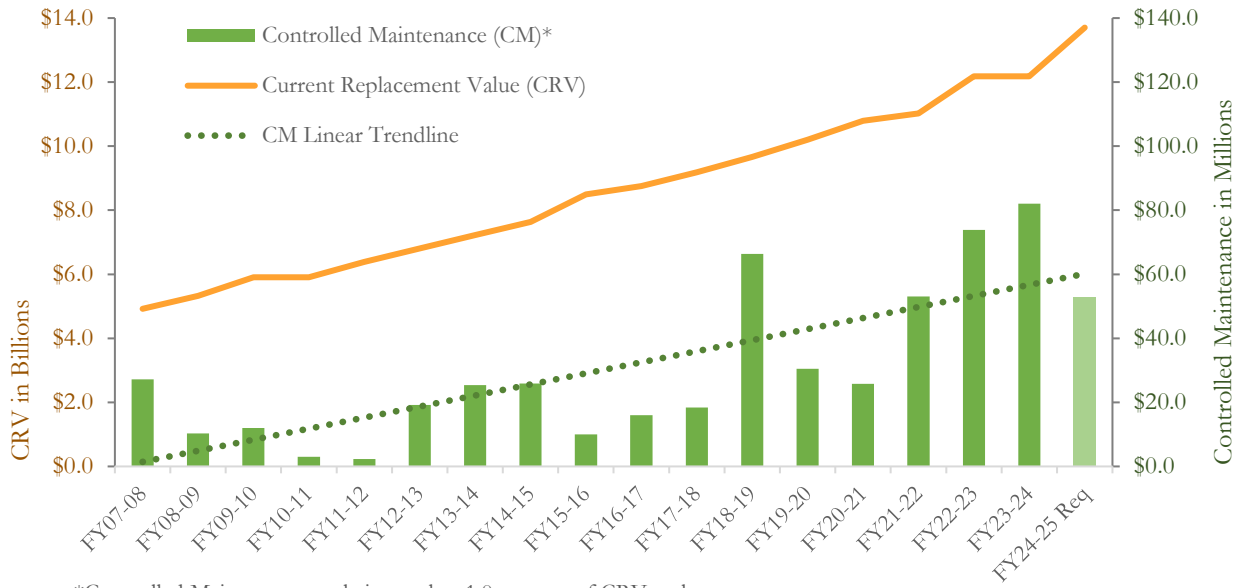


The following charts outline CM to CRV comparisons by state agency buildings and by higher education buildings. As shown, closing the gap between actual controlled maintenance funding and 1.0 percent of current replacement value is very achievable for state agency buildings, but less so for higher education 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**



**Higher Education: Controlled Maintenance Funding Compared to CRV**



## SUMMARY: FY 2023-24 APPROPRIATION & FY 2024-25 REQUEST

CAPITAL CONSTRUCTION							
		TOTAL FUNDS	GENERAL FUND/CCF	CASH FUNDS	FEDERAL FUNDS	FY 2025-26 CCF COST	LATER YEAR CCF COST
<b>FY 2023-24 APPROPRIATION:</b>							
		\$471,149,105	\$256,358,189	\$212,411,819	\$2,379,097		
SB 23-214 Long Bill							
SB 23-250 Transfers from Severance Tax Operations Cash Fund		13,108,609	10,000,000	3,108,609	0		
SB 23-306 Buildings in the Capitol Complex		20,479,729	0	20,479,729	0		
<b>TOTAL</b>		<b>\$504,737,443</b>	<b>\$266,358,189</b>	<b>\$236,000,157</b>	<b>\$2,379,097</b>		
<b>FY 2024-25 STATE-FUNDED OSPB REQUEST</b>							
OSPB Rank	CCHE Rank						
1		Controlled Maintenance Level 1	\$86,812,643	\$0	\$86,812,643	\$0	\$0
2	n/a	HED: SB 20-219 COP Payment	4,753,000	4,753,000	0	0	4,755,625 76,055,200
3		DOC: Sterling Access Controls Electronic Security System Rplc ph 2/2 (CR)	40,029,390	40,029,390	0	0	0 0
4		CDE: CSDB West Hall Renovation & Addition	18,475,417	10,161,480	8,313,937	0	10,500,420 0
5		DHS: Kitchen Replacement, CMHIP ph 1/2	9,899,619	9,899,619	0	0	16,950,877 0
6		DHS: Regional Center Kitchens, Pools, and Parking Lots ph 2/3	1,483,534	1,483,534	0	0	7,075,286 0
7		DOC: Sterling Steam Condensate Line Replacement ph 2/2 (CR)	16,367,035	16,367,035	0	0	0 0
8	3	HED: Northwestern CC Rangely Siding, Insulation & Window Rplc (CR)	3,641,741	3,641,741	0	0	0 0
9	1	HED: CSU Clark Bldg Renovation and Addition, ph 3/4	31,814,757	23,814,757	8,000,000	0	25,798,175 0
10	2	HED: CMU Performing Arts Expansion & Renov ph 2/2	13,669,574	12,288,947	1,380,627	0	0 0
11		DPA: Kipling Campus Chiller Rplc (CR)	3,717,529	3,717,529	0	0	0 0
12		CDOT: Vail Pass Supporting Structures I-70 Avalanche Defense	6,400,000	6,400,000	0	0	0 0
13		DOR: Collocation and Consolidation to Auraria	3,533,931	3,533,931	0	0	0 0
		<b>SUBTOTAL - State-Funded, Recommended</b>	<b>\$240,598,170</b>	<b>\$136,090,963</b>	<b>\$104,507,207</b>	<b>\$0</b>	<b>\$65,080,383 \$76,055,200</b>
<b>FY 2024-25 CASH-FUNDED OSPB REQUEST</b>							
		HistCO: Regional Property Preservation Projects	\$700,000	\$0	\$700,000	\$0	\$0 \$0
		DHS: Depreciation Fund for Regional Center Group Homes	1,547,881	0	1,547,881	0	0 0
		DPA: Capitol Complex Renovation & Footprint Reduction	17,300,000	0	17,300,000	0	0 73,928,122
		DNR: Infrastructure and Property Maintenance	34,001,000	0	34,001,000	0	0 0
		DNR: Property Acquisition and Improvements	25,000,000	0	25,000,000	0	0 0
		<b>SUBTOTAL - Cash-Funded, Recommended</b>	<b>\$78,548,881</b>	<b>\$0</b>	<b>\$78,548,881</b>	<b>\$0</b>	<b>\$0 \$0</b>
		<b>TOTAL -FY 2024-25 Governor's Request</b>	<b>\$319,147,051</b>	<b>\$136,090,963</b>	<b>\$183,056,088</b>	<b>\$0</b>	<b>\$65,080,383 \$76,055,200</b>



STAFF BUDGET BRIEFING

CAPITAL CONSTRUCTION						
	TOTAL FUNDS	GENERAL FUND/CCF	CASH FUNDS	FEDERAL FUNDS	FY 2025-26 CCF COST	LATER YEAR CCF COST
<b>INCREASE/(DECREASE)</b>	(\$185,590,392)	(\$130,267,226)	(\$52,944,069)	(\$2,379,097)		
Percentage Change	(36.8%)	(48.9%)	(22.4%)	(100.0%)		

(CR) indicates the project is capital renewal.

The following table shows projects that were submitted by state agencies and institutions of higher education but are not being recommended for funding by OSPB.

OSPB NOT RECOMMENDED FOR FUNDING								
OSPB Rank	CCHE Rank		TOTAL FUNDS	GENERAL FUND/ CCF	CASH FUNDS	FEDERAL FUNDS	FY 2025-26 CCF COST	LATER YEAR CCF COST
14		Controlled Maintenance Level II	\$55,949,343	\$55,949,343	\$0	\$0	\$0	\$0
15		Controlled Maintenance Level III	29,178,022	29,178,022	0	0	0	0
16		DOC: Delta Generator and Controls (CR)	2,592,205	2,592,205	0	0	0	0
17		DOC: Buena Vista Correctional Facility Critical Security Improvement (CR)	5,894,431	5,894,431	0	0	0	0
18		DOC: Fremont Correctional Facility ADA Improvements (CR)	16,244,464	16,244,464	0	0	0	0
19		DOC: Denver Reception & Diagnostic Ctr Electronic Security Improvement (CR)	2,180,248	2,180,248	0	0	0	0
20		DHS: Electronic Security Upgrades	3,967,802	3,967,802	0	0	16,706,534	5,568,845
21		DOC: Arkansas Valley Correctional Facility Electronic Security System Rplc (CR)	23,549,071	23,549,071	0	0	0	0
22		DOC: State Penitentiary Electronic Security System Rplc (CR)	8,377,679	8,377,679	0	0	0	0
23		DOC: East Cañon City Complex Electrical Distribution Infrastructure Rplc (CR)	25,735,556	25,735,556	0	0	0	0
24		DOC: Denver Women's Correctional Facility Support Building Roof Rplc (CR)	3,710,858	3,710,858	0	0	0	0
25		CDLE: Testing Lab Relocation	6,281,152	6,281,152	0	0	0	0
26		DOC: Fremont Primary and Secondary Electrical Rplc (CR)	35,606,931	35,606,931	0	0	0	0
27		DHS: Gilliam YSC Replacement & DYS Training Center	4,626,466	4,626,466	0	0	68,567,031	4,188,477
28		DOC: Fremont Fire Alarm Improvements (CR)	13,612,632	13,612,632	0	0	0	0
29		DHS: Health and Safety Upgrades, Bldg 125, CMHIP	3,951,197	3,951,197	0	0	0	0
30		DOC: Limon Support Building Roof Replacement (CR)	4,493,603	4,493,603	0	0	0	0
31		DOC: Trinidad Waste Water Treatment Facility Improvement (CR)	18,941,369	18,941,369	0	0	0	0
32	19	HED: Auraria Campus Safety Center	35,170,292	35,170,292	0	0	0	0
33		DHS: Campus Infrastructure Replacement at CALM and CAMV (CR)	2,389,398	2,389,398	0	0	12,771,613	15,776,698
34	9	HED: Western CO Univ Crawford Hall Renovation (CR)	4,087,593	3,920,002	167,591	0	0	0
35		DOLA: Decentralize Fort Lyon Building Heating (CR)	13,494,113	13,494,113	0	0	0	0
36	4	HED: CU Boulder Guggenheim Geography Building Renovation	47,607,321	19,042,928	28,564,393	0	0	0

STAFF BUDGET BRIEFING

OSPB NOT RECOMMENDED FOR FUNDING								
OSP Rank	CCHE Rank		TOTAL FUNDS	GENERAL FUND/ CCF	CASH FUNDS	FEDERAL FUNDS	FY 2025-26 CCF COST	LATER YEAR CCF COST
37		DOC: Buena Vista Vocational Roof Rplc (CR)	2,866,204	2,866,204	0	0	0	0
38		DHS: Life/Safety Risks, Zebulon Pike YSC Parking Lot	401,283	401,283	0	0	2,456,886	0
39	16	HED: CU Boulder Macky Auditorium Renovation ph1/3	34,088,666	13,635,466	20,453,200	0	8,723,820	8,218,826
40	6	HED: Fort Lewis College Southwest Campus Renewal	20,411,191	19,594,743	816,448	0	0	0
41	28	HED: UNC Candelaria Hall (CR)	28,240,480	27,958,075	282,405	0	0	0
42	26	HED: CU Boulder Economics Building Renovation	29,521,260	11,808,504	17,712,756	0	0	0
43	23	HED: CSU Pueblo Technology Building Addition and Renov ph 2/2	14,702,642	14,253,042	449,600	0	0	0
44	24	HED: Colorado Mesa Maverick Center Renovation and Expansion	57,278,632	51,493,490	5,785,142	0	0	0
45	12	HED: Pikes Peak CC First Responder Emergency Education Complex	42,474,274	39,055,095	3,419,179	0	0	0
46	22	HED: UNC McKee Hall (CR)	38,272,503	37,889,778	382,725	0	0	0
47	24	HED: Colored Mesa Allied Health Relocation	22,064,997	19,836,431	2,228,566	0	0	0
48	12	HED: UNC College of Osteopathic Medicine	127,542,028	126,266,608	1,275,420	0	0	0
49	12	HED: MSU Classroom to Career Hub	18,600,000	9,000,000	9,600,000	0	0	0
50		DPA: Parking Lot Rplc (CR)	4,048,195	4,048,195	0	0	0	0
51	28	HED: UNC Crabbe Hall (CR)	11,934,412	11,815,068	119,344	0	0	0
52	7	HED: School of Mines Utilities Infrastructure	42,556,347	31,917,260	10,639,087	0	0	0
53	15	HED: Western Campus Roadway Rehabilitation (CR)	2,813,211	2,697,869	115,342	0	0	0
54	5	HED: ASU Facility Services Rplc	29,424,616	28,247,631	1,176,985	0	0	0
55	8	HED: School of Mines Arthur Lakes Library Renovation	25,052,228	18,789,171	6,263,057	0	0	0
56	9	HED: Colorado Mesa Electrical and Computer Engineering Bldg	28,255,792	25,401,957	2,853,835	0	0	0
57	21	HED: CU Anschutz Strauss Health Sciences Library Renovation	12,520,299	6,134,947	6,385,352	0	0	0
58	11	HED: CSU San Luis Valley Potato Research and Storage Facility	7,001,594	5,811,323	1,190,271	0	0	0
59	27	HED: CSU District Heating Plant Sustainability (CR) ph1/2	8,982,929	8,982,929	0	0	12,422,639	0
60	16	HED: CSU Veterinary Health and Education Center ph 2/3	99,999,991	25,000,000	74,999,991	0	25,000,000	0
61	16	HED: MSU Health Institute Tower ph 1/3	8,960,824	8,960,824	0	0	27,834,505	16,303,081
62	20	HED: Trinidad State Valley Campus Main Bldg Addition & Renov ph 1/2	6,337,816	6,337,816	0	0	13,056,248	0
<b>TOTAL - OSPB Not Recommended for Funding</b>			<b>\$1,091,994,160</b>	<b>\$897,113,471</b>	<b>\$194,880,689</b>	<b>\$0</b>	<b>\$187,539,276</b>	<b>\$50,055,927</b>

(CR) indicates the project is capital renewal.

**STAFF NOTES ON THE OSPB CAPITAL REQUEST**Changes from November 1<sup>st</sup> Request

The total General Fund/Capital Construction Fund cost of OSPB recommended projects shown in the table is \$136.1 million. This is approximately \$18.0 million less than the November 1<sup>st</sup> budget request due to errors in projects costs that were included in the original submittal. The project costs reflected above match the list that the Capital Development Committee received from CDC staff for their annual hearings on December 13 through 15, 2023.

Use of the Controlled Maintenance Trust Fund

The OSPB request proposes to pay for Controlled Maintenance Level I from the Controlled Maintenance Trust Fund (CMTF); the cost is therefore reflected in the cash funds column of the request. The JBC transferred \$110.0 million from the General Fund to the CMTF in S.B. 21-224 (Capital-related Transfers of Money), and specified that it be appropriated for Controlled Maintenance Level I and II in FY 2022-23. The JBC took action to remove the requirement that it be appropriated in FY 2022-23 through H.B. 22-1340 (Capital-related Transfers of Money) with the intention that it be appropriated in a year when General Fund availability was lower.

For more than a decade, the CMTF has regularly been used to fund transfers for disaster emergencies from executive orders and as a bank account or "parking spot" to set aside money for new legislation. While the CMTF was intended, and continues to be structured in statute to provide a fund source for controlled maintenance, functionally, it is not funding controlled maintenance as was intended nor is the principal preserved and secure as a "trust fund" – with the exception of the transfer discussed above. Because it has been available as a TABOR or "emergency" reserve, it is regularly used to fund executive orders for emergencies. The CMTF constitutes up to \$69.4 million of the TABOR emergency reserve in FY 2023-24. Although the JBC has previously transferred General Fund to restore funds used by executive orders, the interest earned on the available principal in any given year does not generate sufficient interest to warrant engaging the statutory access to funds for controlled maintenance

The \$110.0 million transfer plus interest earned since July 1, 2021 (approximately \$2.5 million) is the only money in the CMTF at this time. JBC staff believes that it is appropriate to spend the CMTF for Controlled Maintenance Level I in FY 2024-25. Additionally, the Committee should consider spending the remaining \$25.7 on a portion of Controlled Maintenance Level II in FY 2024-25. The Governor's Office is proposing to save the remainder for appropriation in FY 2025-26.

Severance Tax Transfer for Capital Construction:

The Governor's FY 2024-25 Budget Request letter includes a proposed \$50.0 million transfer from severance tax funds for budget balancing purposes. Although a use of these funds is not specified in the letter nor discussed in the OSPB Capital submission, it has come to staff's attention that OSPB is proposing to transfer the severance tax funds into the Capital Construction Fund to pay for a portion of the recommended list. Additional details about this proposal were discussed in the Department of Natural Resources briefing dated December 1, 2023. The proposed transfer is a statewide balancing issue that warrants further discussion by the Joint Budget Committee. The cost of the proposed capital list as presented to the Capital Development Committee and JBC will continue to assume that state-funded projects will be paid for by a transfer from the General Fund to the Capital Construction Fund unless the JBC indicates it will sponsor the proposed legislation to make the transfer.

## INFORMATIONAL ISSUE: DOC CONTROLLED MAINTENANCE FUNDING

The Department of Corrections (DOC) submitted two FY 2024-25 operating requests that have substantial overlap with issues frequently discussed in the context of Capital Construction. The DOC is the largest state agency in terms of square footage, and the information submitted in their requests calls attention to larger issues with the way the statewide Capital Construction process consistently underfunds controlled maintenance and capital renewal.

### DISCUSSION

The Department of Corrections submitted an operating request (R9 Maintenance) for an increase of \$3.75 million General Fund in FY 2024-25 and ongoing for day-to-day maintenance expenses carried out by the Maintenance Subprogram. The request repeatedly invokes the 1.0 percent CRV controlled maintenance goal recommend by the Office of the State Architect and discussed previously in this document. While the JBC will ultimately decide on this request during figure setting for the Department of Corrections, staff wanted to comment on it during the Capital Construction briefing as it is related to broader concerns with controlled maintenance that fit within the context of this document.

The request argues that because the current CRV for DOC buildings is \$1.9 billion, they should be receiving \$19.0 million annually in controlled maintenance funding. The request cites a 69.0 percent deficit based on the \$5.8 million total for DOC controlled maintenance projects included in the FY 2023-24 Long Bill. The request goes on to discuss how chronic shortfalls in controlled maintenance funding directly impact day-to-day maintenance costs that are paid for from their operating budget. While staff does not necessarily disagree with DOC’s need for additional maintenance funding in the operating budget, staff does take issue with the Executive Branch selectively invoking the 1.0 percent CRV goal to ask for money in a specific department’s operating budget. The OSPB Capital Construction request makes no reference to the 1.0 percent goal and only recommends Level I Controlled Maintenance funding in FY 2024-25, which equates to 0.5 percent of CRV. For context, the chart below shows controlled maintenance funding levels recommended by entity for the last three years.

CONTROLLED MAINTENANCE RECOMMENDATIONS BY LEVEL			
Fiscal Year	OSPB	CDC	JBC
FY 2022-23	3	2	2.6
FY 2023-24	2	1	2
FY 2024-25	1	NA	NA

In staff’s opinion, this request reinforces issues related to inadequate controlled maintenance funding raised elsewhere in this document. For additional context, staff would like to highlight the following details:

- For FY 2024-25, DOC has thirteen projects on the OSPB Not Recommended list; all of them are categorized as capital renewal.

- On the FY 2024-25 controlled maintenance list, DOC has three projects on Level I, three projects on Level II, and none on Level III.
- In FY 2023-24, the General Assembly Funded Controlled Maintenance Level I and II. DOC had two projects on the Level I list, three on the Level II list, and none on the unfunded Level III list.
- In FY 2023-24, DOC received funding for two projects (totaling \$57.9 million) and had two unfunded projects on the list (totaling \$30.0 million), all of which were capital renewal.
- DOC’s average building age is 51 years; additional details are shown below.

DOC FACILITY AGE BY PERIOD	
Period Built	Facility Count
Post-1980	11
1970-1980	2
1960-1970	1
Pre-1960	5
<b>Total Facilities</b>	<b>19</b>

The Department also submitted a request for \$2,088,174 (within R7 ADA Compliance) to “make DOC facilities compliant with ADA standards”. The amount requested represents a very small portion of total estimated ADA deficiencies at DOC facilities; the request identified 129 ADA projects that would cost \$204.9 million rectify. The Department intends to use the requested \$2.1 million to “fulfill settlement requirements and avoid future litigation”.

ADA compliance projects can and do get submitted as controlled maintenance and/or capital renewal through the Capital Construction process. The Department can make ADA improvements through its operating budget, but projects over \$500,000 are subject to CDC approval. This is similar to the DOC R9 request in that it asks to permanently increase an individual department’s operating budget by highlighting deficiencies in capital construction funding. There is a FY 2024-25 request for a \$16.2 million ADA Improvement project at Fremont Correctional Facility (capital renewal) that is not recommended for funding by OSPB. It is unclear whether that particular project is the result of litigation. It is also unclear whether any ADA improvements would be included with the other numerous DOC capital renewal projects on the OSPB Not Recommended list.

The requests submitted in the Department of Corrections operating budget highlight the ways in which the statewide Capital Construction process is failing. In staff’s opinion, the arguments included in these requests should be used to drive changes to the statewide process and not selectively invoked to permanently increase funding in department operating budgets.

## ISSUE: LEGISLATIVE PROPOSAL TO RAISE THE CONTROLLED MAINTENANCE THRESHOLD

The State Architect annually prepares a three-tiered list of recommended controlled maintenance projects. Projects that exceed \$2.0 million cannot be included on the controlled maintenance list and must instead be individually ranked and recommended as capital renewal projects by the CDC. This outdated cost threshold leads to projects being unnecessarily split into multiple phases and creates inefficiencies related to costs, contracting, and operational disruptions. Raising the threshold to \$5.0 million would allow more capital renewal projects to remain on the controlled maintenance list for bundled ranking and decrease instances of inefficient project phasing.

### RECOMMENDATION

Staff recommends the Joint Budget Committee sponsor legislation to raise the threshold for controlled maintenance projects from \$2.0 million to \$5.0 million through statutory changes to the definition of capital renewal in Section 24-30-1301 (3), C.R.S.

### DISCUSSION

Controlled maintenance is defined as corrective repairs or replacement of existing real property or fixed equipment necessary for the operation of real property, including improvements for health, life, safety, and code requirements. The definition of capital renewal<sup>1</sup> as a controlled maintenance project or group of projects with costs exceeding \$2.0 million in a fiscal year means that a controlled maintenance project de facto becomes capital renewal when it crosses the \$2.0 million threshold.

The Office of the State Architect (OSA) conducts annual site visits to observe the general condition of each agency/institution's building inventory and reviews all requests before recommending a three-tiered list of controlled maintenance projects in their annual report each December.

The individual levels are described as follows:

**Level I** - critical projects that are predominantly life safety and/or loss of use from equipment/system failure and/or lack of compliance with codes, standards, and accreditation requirements.

**Level II** - incorporates projects that are predominantly causing operational disruptions/energy inefficiencies and/or environmental contamination.

**Level III** - incorporates projects that predominantly contain differing levels of deterioration.

Level I is the only level that is consistently funded by the General Assembly. Projects that were originally categorized as Level II or III often move up to higher levels when the projects remain unfunded for multiple years. When recommending funding for controlled maintenance, OSPB, the CDC, and the JBC typically fund all or a portion of a level in the order recommended by OSA without reordering individual projects.

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<sup>1</sup> Section 24-30-1301 (3), C.R.S.

Capital renewal projects are individually prioritized by the CDC in competition with requests for renovations and new buildings. That means that when a controlled maintenance project crosses the \$2.0 million threshold, it goes from potentially being approved with a bundle of other projects in its level to individually competing against other state agencies and institutions of higher education. This creates a perverse incentive to stay under the arbitrary cost threshold and leads to projects being unnecessarily split into multiple phases. In extreme cases, departments have done things like adding an expansion joint to a roof just to split a roofing project into two phases or had cooling systems replaced in only half a building. These circumstances are inefficient in terms of contracting costs, timing, operational disruptions, etc. The \$2.0 million threshold has been in statute for over twenty years while construction costs steadily increased over that time and skyrocketed in recent years.

Staff is recommending the Joint Budget Committee sponsor legislation to amend the definition of capital renewal in Section 24-30-1301 (3), C.R.S. from \$2.0 million to \$5.0 million, thereby increasing the limit for controlled maintenance projects to \$5.0 million. The Governor's Office and the Department of Personnel and Administration (DPA) are aware of and support this proposal. For additional context, the list of projects not recommended for funding by OSPB shown previously in this document includes nine capital renewal projects under \$5.0 million. Under the current system, these projects might wait years to be prioritized by the CDC, whereas they could potentially move back to the controlled maintenance list and be funded sooner under this proposed statutory change.

## ISSUE: NATURAL RESOURCES CASH FUNDS/CAPITOL COMPLEX RENOVATION CHANGES

The Department of Natural Resources submitted an operating request (R3 Reverse Wildlife Cash and Lottery Transfers to Capital Construction) that asks the JBC to sponsor legislation to reverse transfers related to depreciation lease-equivalent payments originating from Colorado Parks and Wildlife (CPW) lottery proceeds and the Wildlife Cash Fund, and also exempting the Wildlife Cash Fund from future payments. JBC staff and OLLS are generally in agreement with the Department about the issues that need to be corrected through statutory changes.

### SUMMARY

- Senate Bill 15-211 (Automatic Funding for Capital Assets) created a process to calculate annual depreciation lease-equivalent (ADLE) payments related to capital construction funding. This system of payments was modified by S.B. 22-239 (Buildings in the Capitol Complex) to pay for the Capitol Complex Renovation and Footprint Reduction project.
- Funds originating from Colorado Parks and Wildlife lottery proceeds were erroneously included in ADLE payments and transferred to the Capitol Complex Renovation Fund. The Department has just raised the issue that transfers originating from the Wildlife Cash Fund are in violation of federal diversion restrictions which could result in lost federal funding.
- The Department of Natural Resources is requesting the JBC sponsor a bill to make necessary transfer reversals and statutory corrections related to these issues. JBC staff and OLLS generally agree with the issues identified in the request, and staff recommends the Committee sponsor the legislation.

### RECOMMENDATION

Staff recommends the Joint Budget Committee sponsor the requested legislation.

### DISCUSSION

#### BACKGROUND

The Department of Natural Resources submitted an operating request (R3 Reverse Wildlife Cash and Lottery Transfers to Capital Construction) that asks the JBC to sponsor legislation to reverse transfers related to depreciation lease-equivalent payments originating from Colorado Parks and Wildlife lottery proceeds and the Wildlife Cash Fund. The request would also exempt the Wildlife Cash Fund from future payments and transfers related to savings from terminating private leases.

Senate Bill 15-211 (Automatic Funding for Capital Assets) created a process to annually set aside an amount equal to the calculated depreciation of a capital asset funded through the Capital Construction section of the Long Bill. This process, known as annual depreciation lease-equivalent (ADLE) payments, first applied to projects funded in the 2015 Long Bill with payment calculations beginning in FY 2017-18. Depreciation- lease equivalent payments have since been included in department operating budgets for this purpose. If a state agency project is paid in whole or part from a cash fund source, the state agency is required to calculate the depreciable cost of the project and, once the



depreciation period begins, set aside an amount equal to the calculated depreciation in a capital reserve account created within the cash fund. H.B. 17-1144 (Amend Capital Construction Automatic Funding Mechanism) specially exempted CPW lottery proceeds from this process by specifying that they are not included in the definition of “cash fund” as it pertains to Section 24-30-1310, C.R.S. Senate Bill 22-239 (Buildings in the Capitol Complex), as modified by S.B. 23-306, created a system to divert ADLE payments from FY 2022-23 through FY 2028-29 to the Capitol Complex Renovation Fund to pay for a portion of the four-phase Capitol Complex Renovation and Footprint Reduction Project.

**PROBLEM AND REQUEST**

The first issue identified in this request is that the Department of Natural Resources erroneously included lottery funds in its ADLE calculations even though they were specifically exempted. As a result, \$273,204 originating as lottery proceeds has now been transferred into the Capitol Complex Renovation Fund.

The second issue is that the Wildlife Cash Fund is subject to state and federal restrictions that prohibit the use of license fees paid by hunters and fisherman for the purpose of non-wildlife programs. CPW receives approximately \$45.0 million per year from the U.S. Department of Interior in accordance with the Pittman-Robertson and Dingell-Johnson Acts. The Department believes that the transfer of funds originating from the Wildlife Cash Fund into the Capitol Complex Renovation Fund is a definitive violation of federal diversion rules that could result in the loss of federal funding. CPW is located at 6060 Broadway and does not occupy any space in the Capitol Complex. The request identifies \$1,198,224 originating from the Wildlife Cash Fund that needs to be transferred back from the Capitol Complex Renovation Fund and asks that the Wildlife Cash Fund be excluded from the definition of “cash fund” in Section 24-30-1310 (1)(d), C.R.S. in the future. The request also asks that the Wildlife Cash Fund be exempt from transfers related to savings from the termination of private leased space outlined in Section 24-30-1310 (3), C.R.S.

Staff and OLLS are generally in agreement with the request and the need for legislation. Staff will seek clarification from the Department on whether *all* or only a portion of the funds in the Wildlife Cash Fund are subject to federal diversion restrictions and need statutory exemptions/reversed transfers. Staff recommends that the Joint Budget Committee sponsor legislation to make the necessary statutory corrections.

**CAPITOL COMPLEX RENOVATION AND FOOTPRINT REDUCTION**

If approved, this request would result in a transfer of \$1.5 million out of the Capitol Complex Renovation Fund and decrease future revenue to the Fund by \$1.6 million. The Capitol Complex Renovation and Footprint Reduction project documents submitted to the CDC do not account for this loss of funding or discuss how the reduction could impact the current phase of the project. For context, the total estimated cost of the project is shown below, and DPA has only secured full funding for the Annex renovation portion of the project.

CAPITOL COMPLEX RENOVATION AND FOOTPRINT REDUCTION COSTS					
FUNDING SOURCE	PRIOR APPROPRIATIONS	FY 2024-25 REQUEST	FY 2025-26 REQUEST	FUTURE REQUESTS	TOTAL COSTS
Capital Construction Fund	\$0	\$0	\$0	\$73,949,436	\$73,949,436
Cash Funds	26,721,314	17,300,000	17,300,000	34,600,000	95,921,314
<b>TOTAL FUNDS</b>	<b>\$26,721,314</b>	<b>\$17,300,000</b>	<b>\$17,300,000</b>	<b>\$108,549,436</b>	<b>\$169,870,750</b>

## APPENDIX A FOOTNOTES AND INFORMATION REQUESTS

### UPDATE ON LONG BILL FOOTNOTES

The General Assembly includes footnotes in the annual Long Bill to: (a) set forth purposes, conditions, or limitations on an item of appropriation; (b) explain assumptions used in determining a specific amount of an appropriation; or (c) express legislative intent relating to any appropriation. Footnotes to the 2023 Long Bill (S.B. 23-214) can be found at the end of each departmental section of the bill at <https://leg.colorado.gov/bills/SB23-214>. The Long Bill footnotes relevant to this document are listed below.

The FY 2023-24 Long Bill does not include any footnotes specific to Capital Construction.

### UPDATE ON LONG BILL REQUESTS FOR INFORMATION

The Joint Budget Committee annually submits requests for information to executive departments and the judicial branch via letters to the Governor, other elected officials, and the Chief Justice. Each request is associated with one or more specific Long Bill line item(s), and the requests have been prioritized by the Joint Budget Committee as required by Section 2-3-203 (3), C.R.S. Copies of these letters are included as an Appendix in the annual Appropriations Report (Appendix H in the FY 2023-24 Report): <https://leg.colorado.gov/sites/default/files/fy23-24apprept.pdf>. The requests for information relevant to this document are listed below.

There are no FY 2023-24 Requests for Information concerning Capital Construction.

## APPENDIX B FY 2023-24 FUNDED PROJECTS

The table on the following page shows the final list of projects included in S.B. 23-214 (Long Bill). The Committee approved the use of \$41,075,824 cash funds originating from the federal American Rescue Plan Act of 2021 to pay for controlled maintenance projects at higher education institutions; these are shown as appropriations from the Revenue Loss Restoration Cash Fund in the Long Bill. A description of each project can be found in Part II of the annual Appropriations Report: <https://leg.colorado.gov/sites/default/files/fy23-24apprept.pdf>

STAFF BUDGET BRIEFING

FY 2023-24 FINAL LONG BILL PROJECTS									
CDC	OSPB	CCHE		TOTAL FUNDS	GF/CCF	CASH FUNDS	FEDERAL FUNDS	FY 2024-25 CCF COST	LATER YEAR CCF COST
PRIORITY			STATE-FUNDED PROJECTS IN LONG BILL						
			<i>Subtract: CCF starting balance</i>	<i>(\$7,889,902)</i>	<i>(\$7,889,902)</i>	\$0	\$0	\$0	\$0
n/a	20	n/a	HED: SB 20-219 COP Payment	4,745,875	4,745,875	0	0	4,753,000	80,810,825
18	1		Controlled Maintenance Level 1	75,756,894	74,375,258	235,650	1,145,986	0	0
			<i>Less: ARPA funds used for controlled maintenance</i>	<i>(41,075,824)</i>	<i>(41,075,824)</i>	0	0	0	0
55	2		Controlled Maintenance Level 2	57,822,114	56,589,003	0	1,233,111	0	0
1	3		DOC: Sterling Kitchen Renovation ph 2/2 (CR)	48,525,082	48,525,082	0	0	0	0
2		1	HED: AHEC Campus-wide HVAC Replacement ph 2/2 (CR)	33,257,292	33,257,292	0	0	0	0
3	11		DHS: Campus Utility Infrastructure, CMHIFL ph 3/3 (CR)	3,115,635	3,115,635	0	0	0	0
21	4		DHS: Regional Centers Bathroom Remodels	1,906,757	1,906,757	0	0	0	0
27	5		DHS: Regional Centers Kitchens, Pools, Parking Lot ph 1/2	1,390,293	1,390,293	0	0	6,105,518	0
4	8	3	HED: NJC Applied Technology Campus Expansion & Remodel ph 2/2	6,225,500	2,862,750	3,362,750	0	0	0
5		2	HED: UCB Hellems Arts & Sciences and Outdoor Theater Renov ph 4/4	42,780,037	17,112,015	25,668,022	0	0	0
6		3	HED: CSU Clark Bldg Renovation and Addition ph 2/3	32,933,782	23,933,782	9,000,000	0	48,294,643	0
7		3	HED: Lamar CC Bowman ph 2/2 (CR)	5,850,030	5,850,030	0	0	0	0
9	16		DMVA: Pueblo Field Maintenance Shop and Readiness Center ph 1/3	1,800,000	0	1,800,000	0	0	8,800,000
10		22	HED: ASU Central Technology Building Addition and Renovation	8,750,489	8,662,984	87,505	0	0	0
57	17		DPA: Capitol Complex Renovation & Footprint Reduction ph 2/4	18,040,117	0	14,759,883	0	21,243,117	50,150,881
13	9		DOC: Sterling Access Controls Electronic Security System Repl ph 1/2 (CR)	9,396,262	9,396,262	0	0	28,003,136	0
30	12		DHS: DYS Safety and Security Risk Mitigation	1,455,142	1,455,142	0	0	0	0
16	15		AGR: Insectary Greenhouse Expansion, Repair & Replacement	719,539	719,539	0	0	0	0
38	18		DPS: CBI Arvada Toxicology Lab Exp & Investigations Space	3,036,314	3,036,314	0	0	0	0
<b>Subtotal - State-funded projects</b>				<b>\$308,541,428</b>	<b>\$247,968,287</b>	<b>\$54,913,810</b>	<b>\$2,379,097</b>	<b>\$108,399,414</b>	<b>\$139,761,706</b>
CASH-FUNDED PROJECTS IN LONG BILL									
			DNR: Property Acquisitions & Improvements	\$25,000,000	\$0	\$25,000,000	\$0	\$0	\$0
			DNR: Infrastructure & Real Property Maintenance	90,722,185	0	90,722,185	0	0	0
			HistCO: Regional Museum Preservation Projects	700,000	0	700,000	0	0	0
<b>Subtotal - Cash-funded projects</b>				<b>\$116,422,185</b>	<b>\$0</b>	<b>\$116,422,185</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total – FY 2023-24 Final Long Bill Projects</b>				<b>\$424,963,613</b>	<b>\$247,968,287</b>	<b>\$171,335,995</b>	<b>\$2,379,097</b>	<b>\$108,399,414</b>	<b>\$139,761,706</b>