

Joint Budget Committee



Staff Figure Setting
FY 2025-26

Capital Construction

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

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How to Use this Document: The FY 2025-26 Recommendations Table outlines the Capital Development Committee (CDC) recommendations for capital construction funding and includes a comparison of prioritization with the Governor's Office of State Planning and Budgeting (OSPB) and the Colorado Commission on Higher Education (CCHE).

Capital Construction Overview

Pursuant to Section 24-37-304, C.R.S. the Governor's Office (and elected officials as relevant) submit a prioritized list of capital development and controlled maintenance projects to the Capital Development Committee (CDC). The CDC, in turn, submits a list of prioritized projects to the Joint Budget Committee for its consideration.

Pursuant to Section 2-3-203, C.R.S., the Joint Budget Committee is ultimately responsible for reviewing all budget requests, including capital requests, and making appropriation recommendations to the appropriations committees and the General Assembly. Section 2-3-203 (1)(b.1)(I)(B), C.R.S., requires the following:

If the joint budget committee's recommendations to the appropriations committees in the general appropriations bill alter the determinations of priority established by the capital development committee, prior to making the recommendations, the joint budget committee shall notify the capital development committee and allow for a joint meeting of the two committees.

Major Differences from the Governor's Request

The Governor's January request includes project costs totaling \$155.7 million General Fund/Capital Construction Fund (CCF) compared to the CDC recommendation for \$162.2 million General Fund/CCF, a difference of \$6.5 million.

Staff Analysis of the Request and CDC Recommendation

In deference to the legislative process for capital construction and the role of the CDC, JBC staff does not typically make recommendations for the reprioritization of state-funded capital projects. However, staff observations and a recommendation related to cash funds spending authority for a continuation project at Colorado State University are included later in this document.

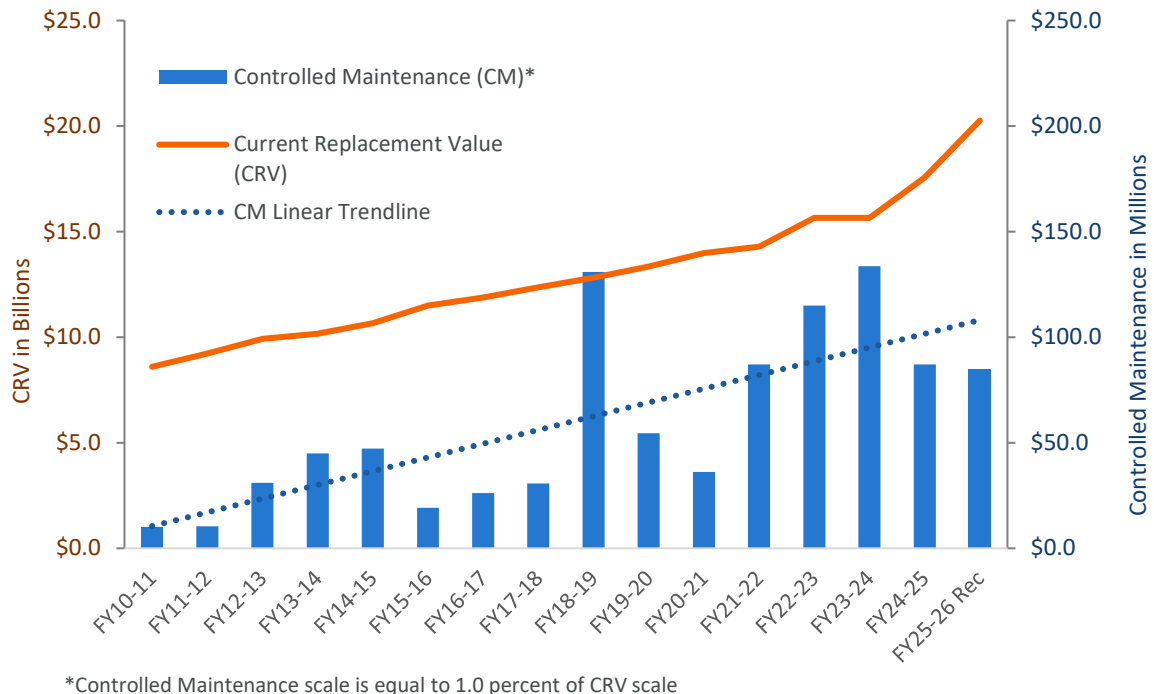
Staff has communicated the following priorities and good stewardship principles in recommending budget guidance to the Committee regarding Capital Construction:

- 1 A primary emphasis on dedicating available state funding first for the most basic upkeep of the existing building inventory through controlled maintenance (and capital renewal - controlled maintenance projects greater than \$4.7 million). The State Architect has continually recommended annual controlled maintenance funding equal to one percent of current replacement value of building inventory. The Office of the State Architect's (OSA) Annual Report from December 2024 includes the following (emphasis added):

“Industry standards continue to emphasize that without an annual Reinvestment Rate (RR) of 2% to 4% of the Current Replacement Value (CRV) of a building inventory for operations, maintenance and renewal, conditions cannot be improved or maintained at acceptable levels and will continue to deteriorate. The **Office of the State Architect has recommended as a goal that approximately 1% of the CRV of the State’s general funded inventory be appropriated to controlled maintenance on an annual basis** in order to address planned repairs and replacements and life safety improvements throughout the entire building inventory. An additional goal of **1% - 1.5% of the CRV should also be appropriated to capital construction as capital renewal/capital renovation to address upgrading existing buildings.**”

The December 2024 OSA Annual Report identifies that current replacement value totals \$20.3 billion across all state agency and institution of higher education buildings supported by state funds. This includes \$16.1 billion in institution of higher education buildings and \$4.1 billion in state agency buildings. Annual controlled maintenance funding of \$202.6 million would meet the one percent recommendation. **The CDC recommendation includes funding for Controlled Maintenance Level I only, totaling \$84.8 million and equaling 0.42 percent of CRV.** A history of controlled maintenance funding compared to the one percent target is shown below; the gap between the orange line and the blue bars represents the shortfall in any given year.

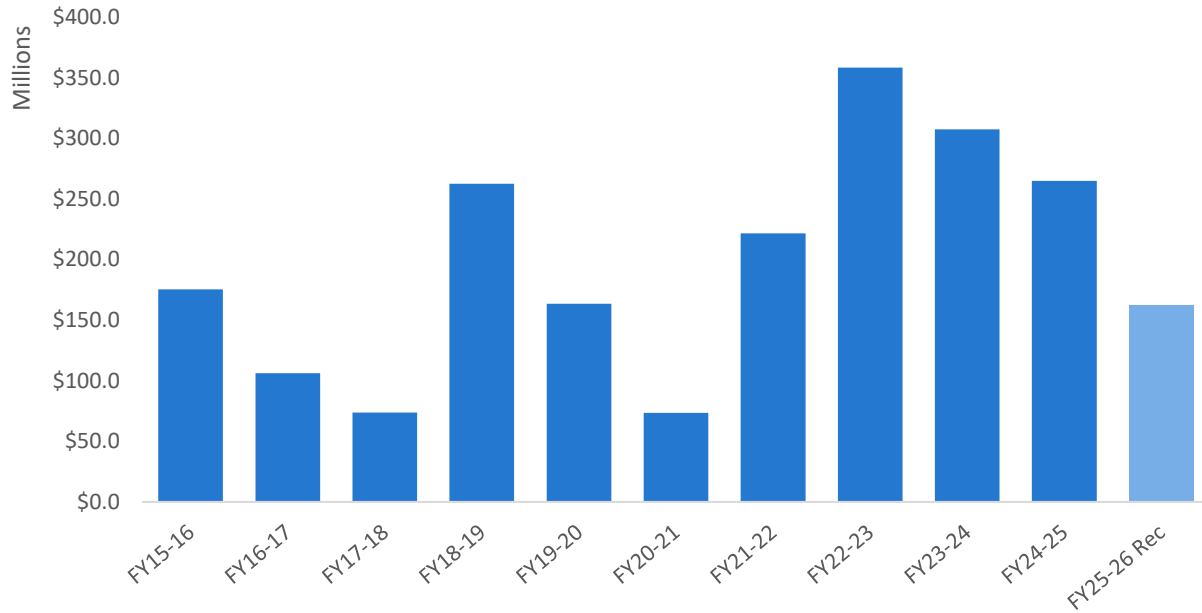
Controlled Maintenance Funding vs. Current Replacement Value



- 2 A secondary preference for renovation and recapitalization through improvements in the existing building inventory. The State Architect also continually recommends additional funding of 1.0% to 1.5% of current replacement value of building inventory to address capital renewal and renovation, referred to as *recapitalization* in the Long Bill. Whereas controlled maintenance (and capital renewal) only provide for the replacement of building systems, renovation has the effect of refreshing building systems while upgrading space for improved program delivery.
- 3 A tertiary consideration for capital expansion (new construction) and renovation projects that are **continuation phases** of projects funded in previous years.
- 4 Lastly, consideration for capital expansion or new construction and real property when existing buildings are better completely replaced, and for the expansion of programs.
- 5 A final caution to consider limiting new state-funded construction at institutions of higher education, which adds additional liability for future controlled maintenance while the annual budget process fails to fund controlled maintenance at the professionally recommended level. Institutions are now responsible for maintenance of buildings constructed after July 1, 2018 with funds from cash sources such as fees and donations. They will need to set aside adequate funding internally to maintain these new cash-funded facilities.

Historical state-funded appropriations for capital construction are shown below, including the CDC recommendation for FY 2025-26.

State-funded capital history (excluding IT projects)



Recommendations Table

The following table outlines the FY 2025-26 Capital Development Committee recommended projects and one cash funds appropriation recommended by JBC staff. For additional information, please refer to the CDC recommendation letter dated February 14, 2025. Projects with a (CR) in the name are capital renewal.

FY 2025-26 Recommended Projects									
			Total	General Fund/ CCF	Cash	Other	FY 2026-27 CCF Cost	Later Year CCF Cost	
CDC	OSPB	CCHE	FY 2025-26 State-Funded CDC Recommendation						
1	3		DHS: Kitchen Replacement, CMHIP ph 2/2	\$24,098,508	\$24,098,508	\$0	\$0	\$0	\$0
2	4	2	IHE: Auraria Campus Safety Center ph 2/2	16,075,891	16,075,891	0	0	0	0
			DOC: Critical Living Unit Shower/Drain & Toilet Improvements, Arkansas Valley Correctional Facility ph 2/2 (CR)	10,223,126	10,223,126	0	0	0	0
3	12		Controlled Maintenance Level 1	84,781,919	84,781,919	0	0	0	0
4	1		CDE: CSDB West Hall Renovation and Addition ph 1/2	12,773,031	12,773,031	0	0	14,720,038	0
5	13		DOC: Denver Reception & Diagnostic Center Electronic Security Improvements (CR)	14,265,654	14,265,654	0	0	0	0
6	2		Subtotal - State-Funded	\$162,218,129	\$162,218,129	\$0	\$0	\$14,720,038	\$0
FY 2025-26 Cash-Funded CDC Recommendation									
			HistCO: Collections Care Facility	\$7,149,761	\$0	\$7,149,761	\$0	\$0	\$0
			DHS: Depreciation Fund for Regional Center Group Homes	960,292	0	960,292	0	0	0
			DMVA: Field Artillery Readiness Center	3,750,000	0	937,500	2,812,500	0	10,333,000
			DNR: Property Acquisition and Improvements	12,100,000	0	12,100,000	0	0	0
			DNR: Infrastructure and Property Maintenance	39,750,950	0	39,750,950	0	0	0
			DPA: Capitol Complex Renovation & Footprint Reduction ph 2/4	16,047,739	0	16,047,739	0	0	73,928,122
			HistCO: Regional Property Preservation Projects ph 1/3	700,000	0	700,000	0	280,000	0
			Subtotal - Cash-Funded	\$80,458,742	\$0	\$77,646,242	\$2,812,500	\$280,000	\$84,261,122
			Staff rec: CSU Clark Building Renovation and Addition cash flow	\$8,000,000	\$0	\$8,000,000	\$0	\$0	\$0
FY 2025-26 Total Recommendation				\$250,676,871	\$162,218,129	\$85,646,242	\$2,812,500	\$15,000,038	\$84,261,122

Projects Not Recommended for Funding

The following table shows state-funded projects not recommended for funding by the CDC.

CDC Not Recommended									
CDC	OSPB	CCHE		Total Funds	General Fund/ CCF	Cash Funds	Federal Funds	FY 2026-27 CCF Cost	Later Year CCF Cost
7	26	1	IHE: CSU Clark Building Renovation and Addition ph 4/4	\$25,798,175	\$25,798,175	\$0	\$0	\$0	\$0
8	21		DHS: Denver Region Youth Service Center Replacement ph 1/3	936,000	936,000	0	0	17,470,352	17,470,352
9	17	3	IHE: Northwestern CC Weiss and Hefley Renovation (CR)	8,652,142	8,652,142	0	0	0	0
10	11		DOC: Electronic Security Replacement, Colorado State Penitentiary (CR)	8,995,324	8,995,324	0	0	0	0
11	18		DOC: Primary & Secondary Electrical Replacement, Fremont (CR)	41,867,516	41,867,516	0	0	0	0
12	19		DOC: Waste Water Treatment Facility Improvements, Trinidad (CR)	22,430,162	22,430,162	0	0	0	0
13	15		DOC: Fire Alarm System Replacement, Fremont (CR)	15,951,352	15,951,352	0	0	0	0
14	20	17	IHE: Western State University Leslie J. Savage Library Renovation (CR)	42,547,491	42,547,491	0	0	0	0
15	30	4	IHE: Fort Lewis College Southwest Campus Renewal	21,313,094	20,354,005	959,089	0	0	0
16	16		DOC: Electronic Security System Replacement, Arkansas Valley (CR)	28,374,454	28,374,454	0	0	0	0
17	14		DOC: Electrical Distribution Infrastructure Replacement, East Cañon City Prison Complex (CR)	29,510,506	29,510,506	0	0	0	0
18	22	6	IHE: School of Mines Steam Infrastructure (CR)	9,396,182	7,037,740	2,358,442	0	0	0
19	9		Controlled Maintenance Level II	113,952,030	113,952,030	0	0	0	0
20	45	7	IHE: CU Colorado Springs Cybersecurity Engineering Cleanroom	14,300,000	10,700,000	3,600,000	0	0	0
21	36	8	IHE: Red Rocks CC Health Sciences, EMS and Fire Science Building	37,339,236	29,871,389	7,467,847	0	0	0
22	43	8	IHE: Arapaho CC Health Programs Integration ph 2/2	41,353,795	38,045,491	3,308,304	0	0	0
23	47	12	IHE: CU Denver Engineering Building ph 1/3	28,705,302	23,705,302	5,000,000	0	26,178,233	7,039,542
24	24	14	IHE: School of Mines Utilities Infrastructure ph 1/2 (CR)	16,407,302	12,289,069	4,118,233	0	7,590,592	0
25	31	14	IHE: CSU District Heating Plant Sustainability Upgrade (CR) ph 1/2	10,064,246	8,453,967	1,610,279	0	16,070,879	0
27	23	23	IHE: Adams State University Admissions Welcome Center	4,263,210	4,091,721	171,489	0	0	0
28	50	29	IHE: Lamar CC Maintenance Building Expansion	1,709,500	1,709,500	0	0	0	0
29	8		HistCO: Statewide Monuments and Roadside Markers	2,000,000	2,000,000	0	0	0	0
30	37	19	IHE: UNC Crabbe Hall Renewal (CR)	12,667,737	12,541,060	126,677	0	0	0
31	28	5	IHE: CU Boulder Macky Auditorium Renovation ph 1/3	33,170,155	13,268,062	19,902,093	0	9,479,724	9,212,241

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CDC Not Recommended									
CDC	OSPB	CCHE		Total Funds	General Fund/ CCF	Cash Funds	Federal Funds	FY 2026-27 CCF Cost	Later Year CCF Cost
32	42	18	IHE: Pikes Peak CC First Responder Emergency Education Complex ph 1/2	28,821,210	26,501,103	2,320,107	0	31,472,922	0
33	33	21	IHE: CU Boulder Guggenheim Geography Building Renovation ph 1/2	4,737,920	1,895,168	2,842,752	0	17,952,674	0
34	38	8	IHE: CMU Rural Technology Hub: Electrical and Computer Engineering Bldg	33,505,274	30,121,241	3,384,033	0	0	0
35	5		CDA: State Fair Gate 5 Ticket Booths and Office Buildings	2,378,608	2,378,608	0	0	0	0
36	39	8	IHE: UNC McKee Hall (CR)	39,197,089	38,373,950	823,139	0	0	0
37	10		Controlled Maintenance Level III	48,415,701	48,415,701	0	0	0	0
38	44		CDPHE: State Public Health Laboratory Building Renovation	18,711,462	18,711,462	0	0	0	0
39	46	16	IHE: CSU San Luis Valley Research Center Potato Research and Storage Facility	8,572,263	7,200,701	1,371,562	0	0	0
40	32	19	IHE: CMU Maverick Center Renovation & Expansion ph 1/1	65,971,458	59,308,341	6,663,117	0	0	0
41	48	21	IHE: CU Boulder Economics Building Renovation	3,401,667	1,360,667	2,041,000	0	10,950,684	0
42	35	24	IHE: Colorado Mesa University Allied Health Relocation	26,387,706	23,722,548	2,665,158	0	0	0
43	34		CDA: State Fair New Livestock and Multipurpose Pavilion ph 1/2	3,037,872	3,037,872	0	0	36,220,150	0
44	40	26	IHE: CC of Aurora Classroom Building 3rd Floor Renovation	6,632,714	6,367,405	265,309	0	0	0
45	27	26	IHE: UNC Candelaria Hall (CR)	30,487,528	30,182,653	304,875	0	0	0
46	7		HistCO: Latino Heritage Museum	3,000,000	3,000,000	0	0	0	0
47	49	26	IHE: CU Anschutz Student Services Enrichment Renovation	13,146,314	6,441,694	6,704,620	0	0	0
48	41		DPS: Operational Master Plan/Facilities Master Plan	4,258,489	4,258,489	0	0	0	0
49	29		CDOT: Arriba Rest Area Remodeling	281,672	281,672	0	0	0	0
50	6		DPA: Capitol Grounds Renovation ph 1/3 (CR)	1,238,206	1,238,206	0	0	4,461,865	4,087,670
Total - CDC Not Recommended for Funding				\$913,888,064	\$835,879,939	\$78,008,125	\$0	\$177,848,075	\$37,809,805

State-funded Project Descriptions

Projects Recommended by CDC but not OSPB

[CDC 3/6] Department of Corrections - Critical Living Unit Shower/Drain and Toilet Room Improvements, Arkansas Valley Correctional Facility, Phase 2/2 (Capital Renewal): The CDC recommendation includes \$10.2 million CCF for the second of a two-phase project to upgrade all plumbing fixtures in the living units of the Arkansas Valley Correctional Facility. Phase I designed the project and upgraded the plumbing in four of the facility's six living units; Phase II would address the final two living units. The Department requested \$17.2 million CCF for this project; CDC staff has ongoing concerns about the inflation factors used by the Department to calculate project costs and recommended the CDC use a lower cost based on staff calculations (\$10.2 million). *This is a continuation project but was prioritized by the Department of Corrections as 3rd out of its nine requests.*

[CDC 5/6] Colorado School for the Deaf and the Blind (CSDB) - West Hall Renovation, Phase 1/2: The first phase of this two-phase project will enable the relocation of the School for the Blind, the Early Education Program, and the Little Language Learners program to accommodate their growing populations. The project scope includes replacing a playground that is out of ADA compliance, expanding the chiller plant, adding a backup generator, and installing EV charging stations and solar panels. Phase II remodels 17,256 gross square feet (GSF) in the West Hall, constructs a 10,800 GSF addition, installs an elevator and remodels entrances for ADA access, replaces the playground, and abates asbestos and lead. The cost of Phase II is estimated at \$14.7 million CCF and \$12.0 million cash funds from a Building Excellent Schools Today (BEST) grant. CSDB would apply for the BEST grant in February 2026 and find out the award status in June 2026.

Projects Recommended by CDC and OSPB

[CDC 1/6] Department of Human Services - Kitchen Replacement at Colorado Mental Health Institute at Pueblo, Phase 2/2: The recommendation includes \$24.1 million CCF for the second phase of a two-phase project to construct a new, 34,085 GSF, stand-alone commissary kitchen on the Colorado Mental Health Hospital at Pueblo campus to serve its resident population, along with offenders housed at Department of Corrections facilities located on the campus. Campus population growth, a restrictive size and location, outdated equipment, and diet complexities have rendered the current kitchen insufficient for serving its population. The conditions present health and safety concerns for both kitchen staff and campus residents.

[CDC 2/6] Institutions of Higher Education - Auraria Higher Education Center (AHEC) Campus Safety Center, Phase 2/2: The recommendation includes \$16.1 million CCF for the second phase of a new, centrally located, three-story, 33,500 GSF Campus Safety Center to house the Auraria Campus Police Department (ACPD) and associated functions. Phase I of the project covered design, early procurement, and early site preparation work. Phase II of the project completes construction of the new building. The ACPD currently occupies an undersized office

suite in the Administration Building that does not have a secure area for evidence storage, lost and found, or patrol vehicles; space for holding individuals; or showers and lockers for staff. AHEC says the building's location is too remote for officers to easily patrol the campus on foot, hindering the ability of officers to quickly respond to campus incidents.

[CDC 4/6] Controlled Maintenance Level 1: Includes 50 projects related to life safety and/or loss of use as well as a \$3.0 million appropriation to the Emergency Fund for unanticipated circumstances. These projects total \$84.8 million CCF; see *Attachment E* of the CDC letter for a list and descriptions of all FY 2025-26 controlled maintenance projects.

[CDC 6/6] Department of Corrections - Denver Reception and Diagnostic Center Fire Projection System Replacement (Capital Renewal): The recommendation includes \$14.3 million CCF to fully replace the fire suppression and detection systems at the Denver Reception and Diagnostic Center (DRDC). The project also includes replacements to the incoming water service flange, backflow devices, piping and valves, and sprinkler heads, and will address deficiencies in Americans with Disabilities Act (ADA) code compliance. The fire protection systems at DRDC date to the center's construction 33 years ago; the National Fire Protection Association recommends replacement of fire alarm systems every 10-15 years. The Department requested \$21.3 million CCF for this project; CDC staff has ongoing concerns about the inflation factors used by the Department and recommended the CDC use a lower cost based on staff calculations (\$14.3 million). *This project was prioritized by the Department of Corrections as 1st out of its nine requests.*

Projects Recommended by OSPB but not CDC

Colorado Department of Agriculture - Gate 5 Ticket Booths and Office Buildings, State Fair: The request includes \$2.4 million for the Colorado Department of Agriculture (CDA) to construct the final four buildings of the Gate 5 Ticket Booths and Office Buildings project as part of their master plan. Phase I would construct the new security building and one of the new ticket booth offices. Phase II of the project will complete the second ticket booth office and a new finance office building. The Department did not specify the costs and timing of the second phase. The Department has already completed some work on Gate 5 ticket booths and office buildings using funds appropriated outside of the Capital Construction process.

History Colorado - Statewide Monuments and Roadside Markers: The request (as amended by the January submission) includes \$2.0 million CCF for the repair and replacement of roadside markers that share the State's history and for statewide monuments that commemorate shared heritage. The project is connected with the Colorado 150/America 250 celebration.

History Colorado - Latino Heritage Museum: The request (as amended by the January submission) includes \$3.0 million CCF to create a Latino Heritage Museum with a goal of opening by the Colorado 150/America 250 celebration. The project was originally submitted at a cost of \$30.0 million in the November request but not recommended for funding. The museum's location has never been specified.

Department of Personnel and Administration - Capitol Grounds Renovations, Phase 1/3 (Capital Renewal): The request includes \$1.2 million for the first of a three-phase Department

of Personnel and Administration (DPA) project to improve the Colorado State Capitol Grounds in accordance with a water-efficient landscaping policy for state facilities established by executive order. Phase I is for project design only. Phase II (\$4.5 million) includes rebuilding the inner circle parking/driving area to include an improved shared route, clear pedestrian routes, bicycle parking, accessible spaces and routes, EV charging stations, and improved drainage. Phase III (\$4.1 million) includes reinstallation and regrading of granite paving and steps, installation of handrails, and repair of west-side sandstone walls to address deterioration and erosion. A low wall and accessible route will be built into landscaping on the east side of the Capitol for school group access, drop-offs, and gathering space. The west-side slope will be regraded and replanted to allow it to continue as a large gathering spot.

Decision Items

→ 1. CDC State-Funded Recommendations

Request

The OSPB request for General Fund/Capital Construction Fund projects totals \$155,706,634. The CDC recommended list totals \$162,218,129, which is \$6,511,495 greater than the request.

Recommendation

Staff recommends the Committee table a decision on the state-funded capital list until after the March forecast. If the JBC is likely to reorder the CDC list in any way, staff recommends scheduling a joint meeting between the two committees pursuant to Section 2-3-203 (1)(b.1)(I)(B), C.R.S.

Analysis

In deference to the legislative process for capital construction and the role of the CDC, JBC staff does not typically make recommendations for the reprioritization of state-funded capital projects. Staff would note that the CDC recommendation prioritizes continuation phases of previously funded projects and does not include four new projects that were recommended by OSPB (described on page 9).

Descriptions of all state-funded projects recommended by the CDC are included in this document. Descriptions of cash funded projects, controlled maintenance level 1 projects, and projects not recommended for funding can be found in the CDC recommendation letter (Attachments C, E, and G, respectively).

→ 2. Cash Only Recommendations

Request

The CDC recommendation for cash-funded capital projects matches the OSPB request except for the addition of History Colorado's annual request for Regional Property Preservation Projects. That request was initially for \$280,000 CCF and \$420,000 cash funds. History Colorado requested the CDC include \$700,000 cash funds in the event that \$280,000 CCF was not recommended. The source of funds is the State Historical Fund and the Community Museum Cash Fund.

Recommendation

Staff recommends the JBC approve the cash-funded projects portion of the CDC recommendation. Additionally, staff recommends including \$8.0 million cash funds from institutional sources for the CSU Clark Building Renovation and Addition, as discussed below.

Analysis

CSU requested \$25.8 million CCF and \$8.0 million cash funds for the fourth and final phase of the Clark Building Renovation and Addition at the Fort Collins campus. OSPB did not recommend the final phase for FY 2025-26 and has indicated on several occasions that CSU agreed to wait with the understanding that the final phase will be funded in FY 2026-27. The following was included in the project description for CDC hearings:

“Over the summer of 2024, the Office of the Governor via OSPB asked CSU if we could assist with the State’s budget shortfall this cycle. We indicated that if the appropriation were assured to occur in July of 2026, we could cash flow the project. CSU is happy to assist the State but also respectfully requests that the last payment be added to the capital transfer statutes this session. If the timing cannot be assured, we would have the following issues:

- a. The final acceptance date per the Design-Build construction contract is Feb 2027. If the final phase of state funding was delayed past July 2026, we couldn’t fully fund the construction contract and would have to pause construction.
- b. An additional delay in the project schedule would require project scope reductions to balance the continued construction cost escalation over the additional year delay.
- c. The university is currently renting temporary trailers to house staff/faculty/students during the construction. Extending the project would increase rental costs, requiring a further reduction in project scope.
- d. Securing and sequencing subcontractors continues to be a significant industry challenge. The Design-Build team has completed project bidding against the completed design documents with associated schedule commitments. Delaying the funding for phase IV may, and most probably will, delay the project by more than one budget year with associated cost, sequencing and extended logistical challenges for safe campus operations due to the project location at the heart of main campus.”

The CDC did not explicitly discuss appropriating the cash-only portion of the request in FY 2025-26 and it was not included in the recommendation. CSU contacted JBC staff to request that \$8.0 million cash funds be included in the FY 2025-26 Long Bill in order to cash flow the project until the fourth phase is funded. Staff recommends the cash appropriation and does not believe the CDC would have concerns about including the cash portion. The Clark Building is the only continuation project that the CDC does not recommend funding for FY 2025-26; the CDC letter also highlights the agreement that the final phase could wait until FY 2026-27.

→ 3. Transfers to the Capital Construction Fund

The JBC annually sponsors legislation to transfer money into the Capital Construction Fund to pay for the cost of the list of projects in the Long Bill. **Staff recommends the JBC approve drafting authority despite being unlikely to reach a final decision on the capital list at this time.** Transfers related to IT Capital will also be included in this legislation.

The transfer legislation typically includes a General Fund transfer to the Capital Construction Fund for the cost of the upcoming year’s project list less: reversions, prior year interest earnings above what was estimated and applied to the cost of the current year list in the Long Bill headnotes, and estimated interest earnings in the current year. For FY 2025-26, prior year reversions and estimated interest earnings in the current fiscal year have already been included in the Governor’s balancing proposal and the JBC Staff Director’s General Fund Overview. Therefore, the only funds available to reduce the cost of the FY 2025-26 list are FY 2023-24 interest earnings above what was estimated in the 2024 Long Bill, less the cost of the Fort Lyon heating system supplemental.

CCF funds available for FY 2025-26 projects	
Reversions as of June 30, 2024	\$8,866,551
Less: Reversions already accounted for in balancing	-8,866,551
Plus: FY 2023-24 interest earnings	13,154,228
Less: Estimated FY 2023-24 interest earnings used for FY 2024-25 project list	-11,500,000
Less: Balance applied to FY 2024-25 Fort Lyon supplemental	-796,840
Balance available for FY 2025-26 project list	\$857,388

→ 4. Recommended Legislation for Ongoing Transfer of CCF Interest and Reversions to General Fund

Request

OSPB’s Statewide R1 request includes a proposal to transfer interest earnings from the Capital Construction Fund to the General Fund in FY 2024-25 and FY 2025-26, estimated at \$15.2 million and \$9.1 million, respectively. Statewide R1 also discusses capping interest income revenue to cash funds at 1.5 percent beginning in FY 2026-27 and transferring the remainder to the General Fund.

Recommendation

Staff recommends the Committee sponsor legislation to annually transfer interest earnings and reversions in the Capital Construction Fund to the General Fund. This would include the regular Capital Construction Fund and the Information Technology Capital Account. The JBC staff analyst for IT Capital agrees with this recommendation. Staff is unsure at this time if this change could be included with other approved legislation or would require a separate bill.

Analysis

Current practice is for LCS Staff to estimate interest earnings to the CCF in the current fiscal year; this estimate is then included in the Long Bill headnotes and subtracted from the cost of the General Fund transfer that funds the capital list. Interest earnings above or below the estimate are adjusted for in the following year. Reversions from the prior year are also subtracted from the cost of the upcoming year's project list.

Because the Capital Construction Fund is funded by a General Fund transfer, it is a circular process to transfer interest earnings and reversions from the CCF to the General Fund and then fund the capital list with a General Fund transfer back to the CCF. However, the use of interest earnings and reversions to reduce the cost of the list often causes confusion. The final reversion amounts are not received until December or January, and the estimated interest earnings change throughout the year. These amounts are only sometimes included in the Governor's capital list, are sometimes included elsewhere in balancing, and lead to confusion between OSPB, CDC staff, JBC staff, CDC members, and JBC members.

Absent the application of interest earnings and reversions, the amount in the annual transfer bill to fund capital construction would match the cost of the project list, therefore simplifying final budget balancing. Staff concurs with the statewide R1 request to transfer interest earnings in the CCF to the General Fund for balancing, and recommends a permanent statutory change to make the transfer ongoing and automatic for interest earnings and reversions. **The CDC staff's current estimate of FY 2024-25 interest earnings in the CCF is \$23.5 million, compared to the OSPB January estimate of \$15.2 million.**

→ 5. General Fund Exempt for Transportation Projects

The CDC recommendation includes, and JBC staff recommends, an appropriation of \$500,000 CCF originating as General Fund Exempt (GFE) for highway construction projects. This item has been funded annually at \$500,000 since FY 2010-11 and fulfills the requirement of expending a portion of revenue retained under Referendum C for transportation projects. The \$500,000 transfer from the General Fund Exempt account to the Capital Construction Fund will be included as part of the capital transfer bill.

→ 6. Long Bill Headnotes

Staff recommends that the Committee approve capital construction headnotes for the 2025 Long Bill, with permission to make technical changes as advised by the Office of Legislative Legal Services. Staff recommends headnotes as included in H.B. 24-1430 (2024 Long Bill), with updates reflected below. The only significant change is that the headnotes will no longer include interest estimated in the current fiscal year to pay for the projects appropriated in the Long Bill, assuming the Committee approves staff recommendation in decision item 4 above or statewide R1.

SECTION 3. Capital construction appropriation. (1)(a)(I) The sums in this section, or so much thereof as may be necessary for the purposes specified, are hereby appropriated out of any funds accrued or accruing to the capital construction fund not otherwise appropriated and out of the cash funds and federal funds specified for construction projects at the respective institutions and agencies enumerated in this section. Except as otherwise provided in subparagraph (II) of this paragraph (a) or in particular line items of appropriation, pursuant to section 24-75-303 (5)(a)(I), Colorado Revised Statutes, the appropriations made in this section shall become available upon passage and approval of this act and, if any appropriated project is initiated within the fiscal year, the appropriation therefor shall remain available until completion of the project or for a period of three years, whichever comes first, at which time unexpended and unencumbered balances shall revert to the funds from which they were appropriated.

(II) An appropriation for a lease-purchase payment is for the ~~2024-25~~ 2025-26 fiscal year only.

(b) For purposes of section 20 of article X of the state constitution and pursuant to section 24-75-302 (1)(b), Colorado Revised Statutes, the unrestricted year-end balance of the capital construction fund for the 1991-92 fiscal year shall constitute a reserve. Consequently, any money credited to the capital construction fund constitutes a reserve increase and therefore constitutes state fiscal year spending, as defined in section 24-77-102 (17)(a), Colorado Revised Statutes, and any money transferred or expended from the capital construction fund constitutes a reserve transfer or expenditure which is excluded from state fiscal year spending, as defined in section 24-77-102 (17)(b), Colorado Revised Statutes.

(c) Money appropriated in this section from the capital construction fund includes:

(I) Sums transferred pursuant to section 24-75-302, Colorado Revised Statutes, which sums constitute state fiscal year spending as defined in section 24-77-102 (17)(a), Colorado Revised Statutes;

~~(II) Eleven million five hundred thousand (\$11,500,000) in interest earnings in the 2024-25 fiscal year in the capital construction fund pursuant to section 24-75-302 (1), Colorado Revised Statutes, which sum does not constitute state fiscal year spending as defined in section 24-77-102 (17)(a), Colorado Revised Statutes.~~

(d) Money appropriated in this section from cash funds shall constitute state fiscal year spending as defined in section 24-77-102 (17)(a), Colorado Revised Statutes.

(2) Except as otherwise specifically noted, appropriations from state funds shall be reduced by the amount of any funds received from federal, local, private, or other state sources and not appropriated in this act. This restriction shall not apply to any funds received by a state agency or institution of higher education or the council on the arts from any state or nonstate source for use in the art in public places program.

(3) Operating and maintenance costs shall be a major consideration in the design and construction of any project involving renovation.

(4) A construction project for which the lowest bid is in excess of the appropriation shall be redesigned to conform to the appropriation and may be commenced if approved under the procedures set forth in this subsection (4). The agency shall submit the redesigned project to the state buildings division of the department of personnel or, for higher education projects, to the Colorado commission on higher education, which shall assure that the redesigned project meets the program needs of the agency and the necessary quality of the building. The state buildings division and the Colorado commission on higher education shall report all such analyses to the joint budget committee and to the capital development committee on a regular basis. If the redesigned project is approved by the state buildings division or the Colorado commission on higher education, the project may commence. If the redesigned project is not approved, it shall not be commenced until further action is taken by the general assembly to reauthorize the project.

(5) Expenditures of funds appropriated for capital construction shall be in accord with section 17-24-111, Colorado Revised Statutes, which requires institutions, agencies, and departments to purchase such goods and services as are produced by the division of correctional industries from said division.

(6) **Definitions.** As used in this section:

(a) "Physical planning" includes all fees for survey and site investigation and architectural and engineering services, but no contract for architectural/engineering services shall commit the state to physical planning expenses greater than those which are provided in the appropriation. No funds appropriated for any other purpose shall be expended for physical planning.

(b) "Program plan" or "program planning" relates to a specific project or facility and shall include, but is not limited to, an inventory of amounts and types of space currently available; an analysis of amounts, types, and relative locations of space required for current programs as determined by use of accepted state space standards; an analysis of projected programs and space required; and, if a change in facilities is justified based on analysis, recommendations for demolition, remodeling, or construction, including a detailed budget which relates to a realistic timetable for implementation.

Long Bill Footnotes and Requests for Information

Long Bill Footnotes

The FY 2024-25 Long Bill did not include footnotes specific to Capital Construction. Staff does not recommend any new footnotes.

Requests for Information

The FY 2024-25 Long Bill did not include any information requests specific to Capital Construction. Staff does not recommend any new requests for information.