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CAPITAL CONSTRUCTION AND THE ROLE OF THE CAPITAL DEVELOPMENT COMMITTEE

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The day-to-day expenses of state government are paid through the *operating budget* in the state's annual budget bill. Expenses related to new construction, renovation, or maintenance of the state's capital assets are paid through the *capital budget* in the state's annual budget bill. This issue brief outlines the types of projects and capital expenses defined as capital construction, the role of the Capital Development Committee (CDC) in overseeing the approval and implementation of capital projects, and funding for capital projects.

The term "capital" collectively refers to three types of projects. *Capital construction* is the purchase of land or equipment, or the construction and renovation of facilities to address programmatic needs such as an increase in prison population or changes in policy and technology requiring upgrades to the state's accounting system. *Controlled maintenance* is the repair or replacement of utilities or equipment such as a roof or fire alarm system at a state-owned, state-supported facility. *Capital renewal* projects are capital construction projects that address controlled maintenance needs that exceed $2 million in cost.

The term "capital" is more inclusive than paying costs related to the construction or renovation of state-owned facilities. "Capital project" also refers to:

- the demolition of buildings or other physical facilities;
- financing the purchase or construction of a building or other physical facility through borrowing or lease-purchase agreement;
- site improvements or development of existing buildings or other physical facilities;
- any item of instructional or scientific equipment that costs more than $50,000 and information technology projects that cost more than $500,000; and
- the purchase of the services of architects, engineers, and other consultants to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with any capital project and the purchase of services from the Governor's Office of Information Technology.

Capital Development Committee

The CDC is charged with the general review and oversight of capital projects. The CDC is a joint, six-member committee of the Colorado Senate and House of Representatives established in 1985. It is a statutory committee, which means it was established in statute rather than by rule of the House and Senate. The committee meets year round to consider capital requests and other issues related to the capital process and ongoing capital projects. The committee makes recommendations regarding state-funded capital requests to the Joint Budget Committee for inclusion in the capital section of state's annual budget bill.

Members of the CDC. The CDC consists of three members of the Senate and three members of the House of Representatives. Each house is represented by two members of the majority party and one

member of the minority party. Senate members are chosen by the Senate President, with consideration of the recommendation of the Minority Leader. House members are chosen by the Speaker or the Minority Leader. The committee chairmanship alternates each year between the Senate and the House. The committee chair is selected at the committee's first meeting on or after October 15, or after the General Election during an election year. The committee chair beginning in November 2012 will be a House member.

Committee oversight. The committee is charged with considering and prioritizing funding requests for capital construction projects, including supplemental requests for spending authority considered during the interim between legislative sessions. The committee is also required to forecast the state's requirements for capital construction for the next fiscal year and the following four fiscal years. Additionally, the CDC considers cash-funded capital projects submitted by higher education institutions, reviews program plans for adult and juvenile correctional facilities, and considers reports and requests related to real property transaction proposals and the state's inventory of capital assets. Finally, the committee considers recommendations from an advisory committee about the State Capitol building.

Sources of Revenue

The sources of revenue for capital projects are state funds, federal funds, and cash funds. Agencies use a variety of methods to fund projects from these sources, including debt financing, a form of lease purchase called certificates of participation (COPs), and fees. The amount of state and cash funds available for capital projects has decreased in recent years due to the economic recession, as well as budget-balancing measures undertaken in the 2009 and 2010 legislative sessions. Table 1 shows the change in capital funding from FY 2008-09 to present.

Table 1
Capital Funding Five-Year Trends
(in millions)

Fiscal Year	State Funds	Cash & Federal Funds	Total Funds
2008-09	$117.7	$744.3	$862.0
2009-10	42.2	731.5	773.7
2010-11	23.2	77.9	101.1
2011-12	50.2	112.3	162.5
2012-13	71.7	98.6	170.3

State fiscal rules. Moneys appropriated through the capital budget must be spent within three years, whereas moneys appropriated through the operating budget must be fully expended within only one year. Some capital projects, including higher education cash projects and property transactions, are considered and approved outside the appropriations process, and thus are not subject to most state fiscal rules.

State Funding for Capital Projects in FY 2012-13

During the 2012 session, the General Assembly adopted legislation to provide funding for 68 capital projects, including 50 state-funded projects and 18 cash- and federally funded projects. The total FY 2012-13 appropriation for capital projects was $170.3 million, including $71.7 million for state-funded projects.

In addition to the projects funded through the annual budget bill, the CDC also approved funding for 11 projects in September 2012 from a one-time fund source.