



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*. This *issue brief* outlines the types of projects and 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 or renovation of facilities to address capital or programmatic needs, such as an increase in the population served by an agency or policy changes. *Controlled maintenance* is the repair or replacement of capital assets 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 a single year or phase. Previously, information technology was included in the definition of capital construction. Beginning in 2014, information technology projects costing more than \$500,000 are overseen by the Joint Technology Committee (JTC). See Issue Brief 16-30 for more information.

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 a 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
- the purchase of architect, engineer, and other consultant services to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with a capital project.

Capital Development Committee

The CDC is charged with the 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. The committee meets year-round to consider capital budget requests, issues related to the capital budget process, and the progress of ongoing capital projects. The committee makes recommendations regarding state-funded capital

requests to the Joint Budget Committee for inclusion in the capital construction section of the state's annual budget bill (i.e., the Long Bill).

Members of the CDC. The CDC consists of three members of the Senate and three members of the House of Representatives. Each chamber 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. A House member will be elected committee chair in December 2016.

Committee oversight. The committee is charged with considering and prioritizing funding requests for capital construction projects, including supplemental requests for spending authority during the interim between legislative sessions. The committee is also required to forecast the state's needs for capital construction for the next three fiscal years. Additionally, the CDC considers certain cash-funded capital projects submitted by higher education institutions and considers reports and requests related to real property transactions and the state's inventory of capital assets. Finally, the committee considers recommendations from the Capitol Building Advisory Committee about the State Capitol.

Sources of Revenue

Revenue sources for capital projects are state funds, federal funds, and cash funds. Agencies can use a variety of methods to fund projects from these sources, such as 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 rebounded in recent years due to recovery from the economic recession, following budget-balancing measures undertaken in the 2009 and 2010 legislative sessions. Table 1 shows the year-over-year

change in capital funding from FY 2012-13 to present.

Table 1
Capital Funding: FY 2012-13 through FY 2016-17
(Dollars in Millions)

Fiscal Year	State Funds	Cash & Federal Funds	Total Funds	Percent Change
2012-13	\$63.5	\$107.1	170.6	-
2013-14	188.1	95.7	283.8	66.3%
2014-15	388.0*	175.8	563.8	98.7%
2015-16	175.3	104.1	279.4	-50.4%
2016-17	104.9	84.2	189.1	-32.3%
Total	\$919.8	\$567.0	\$1,486.8	10.9%

*Includes \$135.3 million in additional funding made available for projects approved during the 2014 session from the FY 2013-14 General Fund surplus.

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

State Funding for Capital Projects in FY 2016-17

During the 2016 session, the General Assembly provided funding for 54 capital projects in the Long Bill, including:

- 19 state-funded state department projects (\$45.3 million);
- 25 state-funded higher education institution projects (\$58.5 million); and
- 10 cash-funded state department projects (\$46.3 million).

The state-funded projects were funded through General Fund transfers to the Capital Construction Fund.