



Colorado
Legislative
Council
Staff

ISSUE BRIEF

Number 98-2

A Legislative Council
Publication

January 2, 1998

Capital Development Funding

by Tony Salazar

The Capital Development Committee (CDC) reviews funding requests for all capital construction and controlled maintenance projects submitted by state departments and higher education institutions within the executive branch. The CDC develops recommendations for funding priorities that are forwarded to the Joint Budget Committee for inclusion in the annual Long Appropriations Bill.

The CDC received 291 requests for state funding of capital construction and controlled maintenance projects in FY 1998-99. Of the 291, 121 were capital construction requests totaling approximately \$444.3 million, and 170 were controlled maintenance requests totaling approximately \$45.1 million. In total, the CDC reviewed requests totaling almost \$489.4 million.

This Issue Brief focuses on the revenue sources for capital development projects and the process for allocating these revenues.

Types of Projects Eligible for Funding

State law defines capital construction to include purchase of land, buildings or other physical properties, fixed and movable equipment, design services for consulting and documentation, and instructional or scientific equipment. Controlled maintenance is defined in state law as corrective repairs or replacement of equipment at existing state-owned, general-funded buildings and other physical facilities (e.g., work on utilities, site improvements, and the repair of fixed equipment).

Funding for Capital Development

The Capital Construction Fund and the Controlled Maintenance Trust Fund are the main sources of state funding for capital development projects. The Capital Construction Fund receives revenue from two major sources: (1) a statutory General Fund transfer of \$50 million; and (2) interest earnings on the Capital Construction Fund. Any unexpended balance in the Capital Construction Fund and reversions to the fund are also considered revenue available for capital development projects. Interest earnings from the Controlled Maintenance Trust Fund are credited to the Capital Construction Fund to be used for controlled maintenance projects. The projected Capital Construction Fund revenue available for appropriation in FY 1998-99 is approximately \$103.8 million. Table 1 summarizes the projected revenue to the Capital Construction Fund in FY 1998-99.

Table 1: FY 1998-99 Capital Development Revenue

Revenue Source	Estimated Revenue
General Fund Statutory Transfer - Section 24-75-302 (2), C.R.S.	\$50,000,000
Interest Earnings on the Capital Construction Fund	32,378,836
Unappropriated Balance of Corrections Expansion Reserve Fund	301,908
Interest Earnings from the Controlled Maintenance Trust Fund	17,387,862
Unexpended Balance and Reversions (Capital Construction Fund)	3,683,131
<i>Total Available for Capital Development</i>	<i>\$103,751,737</i>

Recent Growth in Funding. Revenue to the Capital Construction Fund has grown considerably in recent fiscal years. For example, revenue to the Capital Construction Fund totaled \$1.3 billion from FY 1993-94 through FY 1997-98. In the previous five years ending in FY 1992-93, revenue to the Capital Construction Fund totaled \$362.5 million. One factor contributing to the recent growth in revenue is a combination of the strong state economy and the state's six percent spending limit (the Arveschoug-Bird limit). The state's economic growth has resulted in General Fund revenue in excess of the Arveschoug-Bird limit. These excess moneys have been available for transfer to the Capital Construction Fund because transfers to the fund do not count against the Arveschoug-Bird limit.

The General Fund moneys available for transfer are those in excess of the year-end General Fund reserve minus the four percent statutory reserve requirement. For FY 1997-98, that amount is projected to be \$420.8 million. Table 2 displays a five-year history of the recent transfers to the Capital Construction Fund, including the annual statutory transfer.

Table 2: General Fund Transfers to the Capital Construction Fund: FY 93-94 Through FY 97-98

Fiscal Year	Required Statutory GF Transfers	Additional GF Transfers (§ 24-75-302)	Additional GF Transfers*
1993-94	\$25,000,000	\$122,295,410	\$25,777,167
1994-95	50,000,000	70,291,160	81,416,751
1995-96	50,000,000	33,952,809	96,008,726
1996-97	50,000,000	65,936,099	38,031,595
1997-98	50,000,000	131,823,833	0
Total	\$225,000,000	\$424,299,311	\$241,234,239

* Subject to the Arveschoug-Bird limit.

As shown in Table 2, the actual amount of General Fund money transferred to the Capital Construction Fund totaled \$890.5 million in the last five fiscal years, or 66.5 percent of the total \$1.3 billion revenue to the fund over the last five years. The annual average General Fund transfer over that period was \$178.1 million.

Prioritization of Capital Development Projects

The CDC receives recommendations on capital construction projects from both the Colorado Commission on Higher Education (CCHE) and the Office of State Planning and Budgeting (OSPB). Controlled maintenance recommendations are submitted by State Buildings and Real Estate Programs within the Department of Personnel/General Support Services. The CDC considers these recommendations when prioritizing capital development projects.

Project Categories. The CDC places all capital development projects into categories by using input from CCHE and OSPB. The categories represent the current funding status and the level of urgency of the projects. The CDC considers the categories when prioritizing projects within the available capital development budget. Table 3 displays the project categories as applied to FY 1998-99 capital development requests. It is important to note that the continuation final phase projects, alone, total \$242.7 million. This amount exceeds the \$103.8 million in available funding by \$138.9 million. Consequently, in order to complete the projects, a General Fund transfer of \$138.9 million, at a minimum, will be needed to complete the continuation projects.

Table 3: FY 1998-99 Project Categories

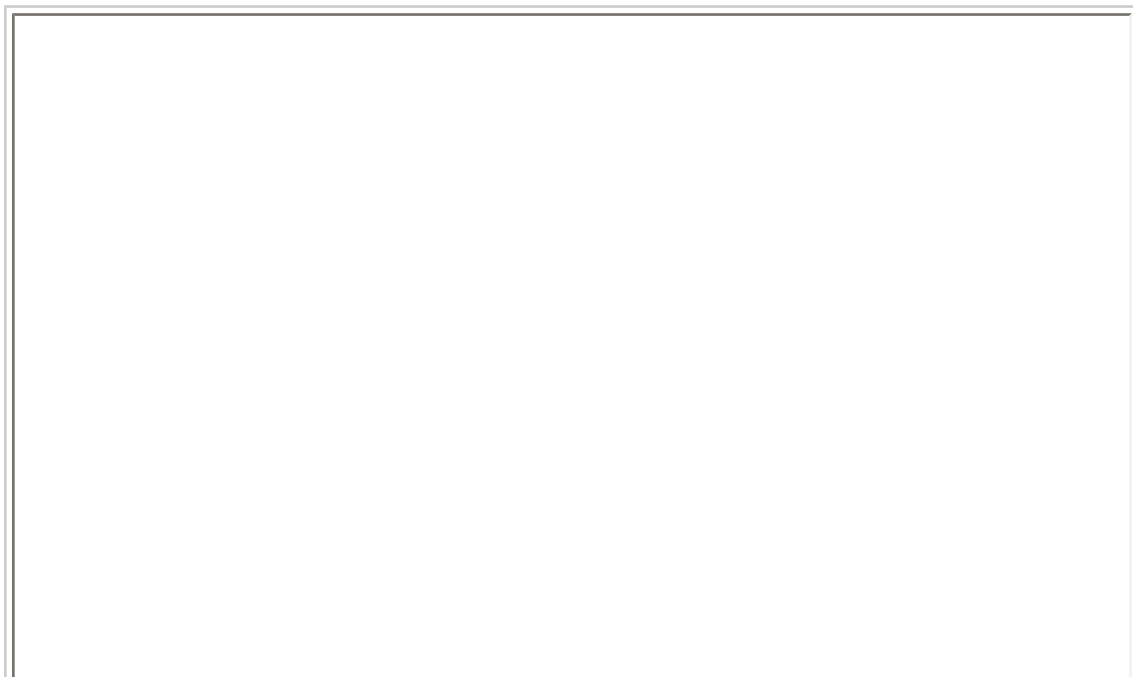
Project Type	Number of Projects	Requested Amount in State Funds
---------------------	---------------------------	--

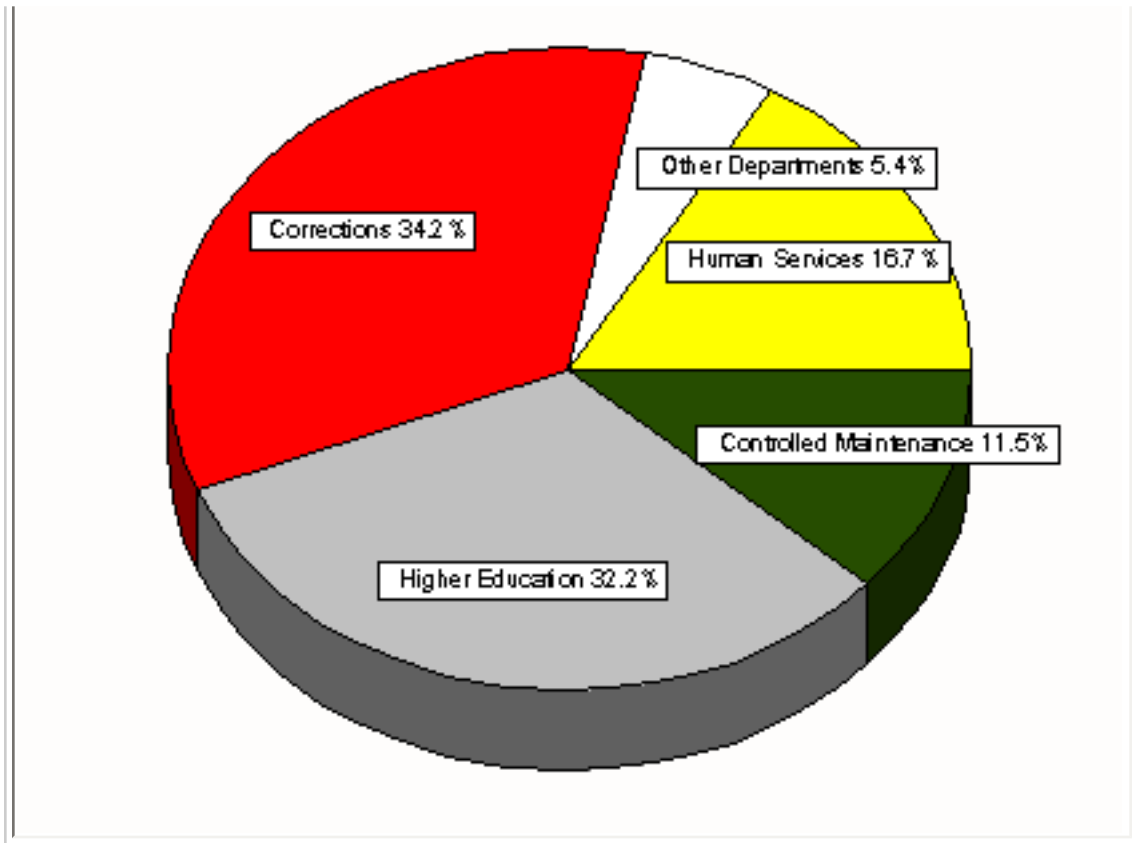
Certificates of Participation	3	\$2,860,670
Certificates of Participation	1	971,622
Controlled Maintenance	170	45,070,480
Continuation - Final Phase	11	209,422,649
Continuation - Final Phase (construction not started)	8	33,235,384
Continuation - Not Final Phase	14	47,317,715
Urgent Need Health Life Safety	5	2,744,142
Urgent Need Programmatically Urgent	36	81,930,846
Urgent Need Code Compliance	7	4,645,538
Programmatically Desirable	9	19,804,972
Desirable When Funds Available	18	26,056,971
Not Prioritized for State Funds	9	15,301,864
TOTAL	291	\$489,362,853

Capital Development Recommendations

In December 1997, the CDC completed its FY 1998-99 capital development recommendations. These recommendations will now be submitted to the Joint Budget Committee. A departmental summary of the CDC's recommendations is displayed below in Graph 1.

Graph 1: FY 1998-99 CDC Recommendations by Department





The Legislative Council is the research arm of the Colorado General Assembly. The Council provides non-partisan information services and staff support to the Colorado Legislature.

Room 029, State Capitol, Denver, CO 80203-1784 (303) 866-3521 FAX: 866-3855 TDD 866-3472
http://www.state.co.us/gov_dir/leg_dir/lcstaff/research.htm