



CAPITAL CONSTRUCTION FUNDING FOR FY 2010-11

by Hillary Smith

During the 2010 session, the General Assembly adopted legislation to provide \$411.3 million for 56 capital projects, including \$16.8 million for 24 state-funded projects and \$394.5 million for 32 cash- and federally funded projects. This issue brief defines capital projects and explains the funding sources for such projects. The issue brief also provides an overview of the agencies that received state money for capital projects in FY 2010-11. Finally, the issue brief summarizes the effects of recent budget-balancing legislation on the funds available for capital projects.

Types of Projects

The term "capital" collectively refers to three types of projects. **Capital construction** is the purchase of land or the construction or renovation of facilities to address program or service needs. **Controlled maintenance** is the repair or replacement of utilities or equipment at state-owned, state-funded facilities. **Capital renewal** projects are capital construction projects that address controlled maintenance issues that have exceeded \$2 million in costs.

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, 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 and budget-balancing legislation.

State funds. Of the \$411.3 million provided for capital projects for FY 2010-11, about 4 percent (\$16.8 million) is

from state funds. This amount is 63 percent less than the amount of state funds provided for capital projects in FY 2009-10 (\$45.8 million).

The primary source of state funds for capital projects in FY 2010-11 is the General Fund. Money from the General Fund is transferred to the Capital Construction Fund and allocated to specific capital projects through legislation. The Capital Construction Fund also yields revenue from interest earnings and from the unspent balances of expired capital projects that revert to the fund (agencies and institutions have three years to spend capital appropriations).

Cash and federal funds. Of the \$411.3 million provided for capital projects, 96 percent (\$394.6 million) is from cash and federal funds. Table 1 below shows the distribution of funding sources for FY 2010-11 capital projects.

Table 1
Funding Sources for FY 2010-11 Capital Projects
(in millions)

Funding Source	Amount Funded	% of Total Funded
Capital Construction Fund	\$16.8	4.1%
Cash Funds	\$364.3	88.6%
Federal Funds	\$30.3	7.4%
Total*	\$411.3	100.0%

*Totals may not sum due to rounding.

State-Funded Appropriations

Of the \$16.8 million in state funds appropriated for capital projects, ten state departments received 88 percent (\$14.7 million), while eight higher education institutions received the remaining 12 percent (\$2.1 million). Four departments and two higher education institutions are the primary recipients of the appropriations.

Table 2 lists the number of projects funded and the amount of money received by the six primary recipients of the appropriations. Projects funded include capital construction projects (CC), controlled maintenance projects (CM), and appropriations for lease payments for COPs.

Table 2
Primary Recipients of State Funds for Capital Projects
in FY 2010-11 (in millions)

Agency	Funding	# of CC Projects	# of CM Projects	# of COPs
Revenue	\$10.2	1	0	0
Corrections	\$2.0	0	3	1
Personnel	\$2.0	0	3	0
University of Colorado Denver	\$2.0	0	0	1
Transportation	\$0.5	1	0	0
Western State College	\$0.1	0	1	0
All Other Agencies	\$0.0	0	12	1
Total	\$16.8	2	19	3

Budget-Balancing Legislation

The economic recession that began in 2008 led to a state budget shortfall for FY 2008-09 and FY 2009-10. To address this shortfall, the General Assembly passed a number of budget-balancing measures during the 2009 and 2010 legislative sessions.

In 2009, the General Assembly passed *Senate Bill 09-279*, which authorized the transfer of \$28.1 million from the Capital Construction Fund and \$0.1 million from the Controlled Maintenance Trust Fund to augment the General Fund. The moneys transferred from the Capital Construction Fund were reverted to the General Fund pursuant to *Senate Bill 09-280*, which cut the funding for 61 prior years' capital construction and controlled maintenance projects. A third bill, *Senate Bill 09-208*, transferred money from 38 different cash funds to augment General Fund revenue.

In 2010, the General Assembly passed two measures that affected the funds available for capital construction. *House Bill 10-1327* transfers money from various cash funds to augment the state General Fund for FY 2009-10. The transfers include \$2.6 million from two cash funds used for capital construction, including \$2.3 million from the Higher Education Federal Mineral Lease Maintenance and Reserve Fund and \$335,000 from the Controlled Maintenance Trust Fund.

House Bill 10-1389 transfers money from funds typically reserved for capital projects to the General Fund and eliminates certain transfers from the General Fund to the Capital Construction Fund. The certificates of participation (COPs) issued for three capital projects were refinanced during the 2009 interim and the beginning of the 2010 session. The resulting savings were transferred, in part, to the General Fund to offset the budgetary shortfall for FY 2009-10 and FY 2010-11. The transfers include \$20.9 million for FY 2009-10 and \$10.4 million for FY 2010-11.