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MEMORANDUM

January 18, 2006

TO: Capital Development Committee

FROM: Bo Pogue, Senior Research Assistant, 303-866-5390

SUBJECT: Difference Between Capital Construction, Controlled Maintenance, and Capital Renewal Projects

This memorandum discusses the difference between capital construction, controlled maintenance, and capital renewal projects. The memorandum includes statutory definitions and describes types of projects eligible for funding.

Capital Construction

Section 24-75-301 (1), C.R.S., defines capital construction as:

- the purchase of land;
- the purchase, construction, or demolition of buildings or other physical facilities, including utilities and state highways;
- the remodeling or renovation of existing buildings or other physical facilities;
- site improvements or development;
- the purchase and installation of the fixed and movable equipment necessary for the operation of new, remodeled, or renovated buildings and other physical facilities;
- the purchase of architectural engineering, and other consultant services to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with any capital construction project; and
- the purchase of any item of instructional or scientific equipment if the cost exceeds \$50,000.

Information technology projects. Capital construction also includes information technology projects. The Capital Development Committee, the Joint Budget Committee, the Governor's Office of State Planning and Budgeting, and the Colorado Commission on Higher Education entered into a Memorandum of Understanding (MOU) regarding information technology projects during the fall of 1997. The MOU states that certain criteria must be met for information technology projects to be eligible for capital construction funding. The criteria are as follows:

- the project must total at least \$500,000;
- the project cannot be for computer replacements or maintenance, unless such replacement is a component of a much larger agency-wide computer system upgrade; and
- the majority of the components of the request should have a useable life of at least five years.

Information technology requests not meeting the criteria are to be submitted as operating budget requests.

Controlled Maintenance

Section 24-30-1301 (2)(a) C.R.S., defines controlled maintenance as corrective repairs or replacement of equipment, utilities, and site improvements at existing state-owned, general-funded buildings and other physical facilities.

Distinguishing between capital construction and controlled maintenance. Capital construction projects are program driven. Capital construction projects arise out of an agency's need to create, expand, or alter a program due to growth, advances in technology, or changes in methods or program delivery. Requests addressing physical space requirements needed to accommodate particular functions, such as those traditionally included in facility program plans, would constitute a "program driven" request.

Controlled maintenance projects are system-driven. Controlled maintenance projects arise when a facility or component system is at the end of its useful life.

Capital renewal projects. Controlled maintenance projects that exceed \$2 million and have a large scope can be broken down by building in the capital renewal approach. Capital renewal projects focus on upgrading building systems, infrastructure, or basic building components on a building-by-building basis to address significant controlled maintenance needs.