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Memorandum

February 5, 2020

TO: Joint Technology Committee

FROM: Luisa Altmann, Senior Research Analyst, 303-866-3518
Joint Technology Committee Staff

SUBJECT: Capital Construction Fund Information Technology Subaccount Information

Background

On October 2, 2019, the State Controller submitted a letter to the Capital Development Committee and Joint Technology Committee outlining the current balances in the Capital Construction Fund and Information Technology (IT) Capital Subaccount. The moneys in these respective funds are used to pay for capital construction and IT capital projects recommended for funding by the Capital Development Committee and Joint Technology Committee (JTC) and approved for funding by the Joint Budget Committee (JBC). A copy of this letter is provided as Attachment A.

According to the letter, available reversions and interest in the IT Capital Subaccount totals $21.1 million. The majority of this balance is due to an $18.8 million reversion from the under budget completion of the DRIVES project.

Governor's Proposal and Joint Budget Committee Staff Concerns

Governor's proposal. Of the $30.5 million available balance in the Capital Construction Fund and the IT Capital Subaccount, the Governor's FY 2020-21 budget request submission recommended transferring $25.0 million to CDOT's Highway Fund and $5.0 million to the Severance Tax Perpetual Base Fund for implementation of the Colorado Water Plan.

JBC staff recommendation. As part of the JBC staff briefing on capital construction and IT capital projects on November 18, 2019, JBC staff recommended "retaining the $30 million in reversions in the Capital Construction Fund and thereby reducing the total General Fund transfer into the Capital Construction Fund by the same amount" in order to minimize the number of transfers that lead to the same funding outcome.

Attachment B provides the relevant excerpts and links to the full documents referenced.

Joint Technology Committee Options

As part of the JTC's recommendations to the JBC, the committee has the following options:

- recommend using the available balance of $21.1 million in the IT Capital Subaccount to fund the IT capital budget requests recommended for funding for FY 2020-21; or

- recommend following the Governor's recommendation regarding transferring the available balance in the IT Capital Subaccount as outlined above and, instead, fund the IT capital budget requests recommended for funding by the committee for FY 2020-21 with a separate General Fund transfer.

COLORADO
Office of the State Controller
Department of Personnel & Administration
1525 Sherman St., 5th Floor
Denver, CO 80203

October 2, 2019

Capital Development Committee
c/o Kori Donaldson, Principle Research Analyst
State Capitol
200 East Colfax, Room 029
Denver, CO 80203

Dear Members of the Capital Development Committee:

Based on our analysis of the Capital Construction Fund and the Information Technology Capital Account, $30,476,802.69 in General Fund Exempt became available during Fiscal Year 2019 for further appropriation. Of this amount, about $18,918,716.49 was reverted by the Department of Revenue for the DMV IT System Replacement, DRIVES. According to the Department, the project was successfully completed on time and under budget.

The table below is a summary of the Capital Construction Fund and the Information Technology Capital Account reversions and interest earnings. The attachment shows additional project details. Please note the accounting system balances underlying these amounts are unaudited and subject to change due to audit adjustments.

	Capital Construction Fund (4610)	Information Technology Capital Account (4611)	Total
Reversions	6,585,907.31	18,948,208.96	25,534,116.27
Less Overexpenditures	6,266.14	-	6,266.14
Plus Interest Earnings	2,762,452.93	2,186,499.63	4,948,952.56
Total	**9,342,094.10**	**21,134,708.59**	**30,476,802.69**

If you have any questions regarding the information in this report, please contact Jennifer Henry in my Office at (3030)866-3809.

Sincerely,

Robert Jaros

Robert Jaros, CPA, MBA, JD
State Controller

Cc: Ben Henderson, Deputy Director for Budget, Office of State Planning & Budgeting
Alfredo Kemm, Principle Legislative Analyst, Joint Budget Committee
Luisa Altmann, Senior Research Analyst, Joint Technology Committee

Attachment

Office of the State Controller
Report of Reversions and Interest Earnings in Funds 4610 and 4611
Fiscal Year 2019, as of 10/1/2019

Capital Construction Fund (4610) - General Fund Exempt

Appropriation Name	Amount
Department of Personnel & Administration	
Capitol Complex Master Plan	$ 168,601.09
2016-112M16 Rehabilitate Elevators, 690/700 Kipling and Gran	951.03
Colorado State Capitol Restoration P1019	19.88
Department of Agriculture	
Repair/Replace Water, Sanitary Storm Water Infrastructure	1,496.02
Department of Corrections	
2017-058 LCF Cell Modifications	5,137.20
2015-127M16 Improve Fire Suppression System, Centennial Corr	1,401.20
Department of Education	
CSDB - Replace Visual Com/Safety	52,147.51
CSDB - Upgrade Campus Security	43,610.88
CSDB - HVAC SYSTEM	20,452.29
CSDB-2016-027P15 Jones - Palmer Halls Renovation, CSDB	1,011,877.04
Governor's Office of Information Technology	
EGBA Telecomm Tax Pipeline	112,405.82
Department of Public Health & Environment	
State Lab Upgrade Fire Alarm	92,851.61
Institutions of Higher Education	
GFBA M13022 Mountain Research Station Wildfire Mitigation	6,047.49
GFBA M13025 Upgrade HVAC, Mechanical Engineering Building	31.42
GFEA 2017-038M16 Replace Fire Detection Sys, Bldg 400 (4610)	0.14
GGBA 2015-103M14 Replace FIre Alarms Various Bldgs (4610)	0.99
GGBA Fire Sprinkler Engineering So/Glover	0.46
GGBA Fire Sprinkler Microbiology Building	0.46
GGBA Install Fire Alarms, 5 Bldgs	0.70
GGJA P1309 General Classroom Building	388,109.90
GJAA 2007-078M14 Upgrade HVAC, Building 967 (4610)	37,889.00
GJAA M13035 Upgrd Fire Detect/Suppress Systems, Four Bldgs	45,272.54
GJBA 2016-061M15 Upgrd Campus Access Cntrl & Monitrng (4610)	4,026.47
GJEA 2016-114M16 Upgrd Exterior & Interior Security (4610)	437.95
GJEA 2018-043M17 Rplace Chiller, Upgrd Infra Westmin (4610)	601.72
GJEA M13039 Upgrde ADA Accessibility, Westminster Campus	606.07
GJJA 2017-034M16 Upgrd Security, Doors, Electronic Access Sy	1,413.09
GJKA 2016-050P15 Davis Academic Bldg Renovation (4610)	256,876.07
GJKA 2016-058M15 Rplc Electric Svc, Dist Main Academic 4610	139,046.51
GJKA M13033 Replace Air Handler Sys, Main Bldg, SCCC Campus	68,265.76
GJKA M13034 Demolish And Rebuild Roof, San Juan Building	49,321.50
GJKA Repair/Replace Roof, Health Sci, Med Tech Bldgs (4610)	180,228.56
GJKA Rpair/Install Fire Alarm SCCC-W (4610)	5,043.66
GJTA M12017 Replace Roof, Weiss Building, Rangeley Campus	34,807.00
GJTA M13040 Replace Roof, Yaeger Building, Rangeley Campus	0.13
GKAA 2015-119M14 Replace Roofs, Three Buildings (4610)	4,557.31
GKAA 2017-040M16 Upgrade Fire Sprinklers, McKee Building (46	6,304.38
GLAA 2007-136P14 Meyer Hall Replacement	7,631.21
GLAA 2015-009P15 Heating Plant Renovation (4610)	2,060.41
GSAA Aquatic-Replace Liner,Upgrade System	0.58
GWAA 2016-065M16 Replace HVAC System, Hurst Hall (4610)	31,383.71

GZAA 2011-095M15 Replace Transformers (4610)	35,326.88
GZAA 2015-092M14 Replace HVAC Tomlinson Library (4610)	297.00
GZAA M13010 Repair Roof, Moss Performing Arts Center	0.05
GZAA P1308 Academic Classroom II	0.01
History Colorado	
Ute Museum Enhancement Project	0.06
Georgetown Loop Railroad Fire Mitigation	83.73
GCAA Pearce-McAllister Cottage Renovation	8,411.84
GCAA Lebanon Mill Devil's Gate Station Cistern	303,321.80
GCAA Grant Humphreys Repair and Improvements	3,619.00
GCAA GTLRR Business Capitalization Project	42,018.23
GTLRR Wildfire Mitigation	5,941.13
Upgrade Hvac & Catwalk El Pueb Museum Gen Fund Exempt	26,803.05
Department of Human Services	
Upgrade Building Automation	9,946.48
SFPWD, State & Vet Nurs Homes, Res Supp Area & Sec Upgrades	1,166,245.85
2016-032P15 Imprvmts CO Vet Comm Lvng Cntrs	12,563.50
M06077 Pueblo Repair and Replace Utilities Tunnel	3.37
Upgrade Electronic Security System	1,005,876.53
2011-098M15 Rplc Emgncy Pwr Sys&Cntrl Vr Yth Srv Cntr	0.77
Offsite Dvlp Kipling Vlg Parcel	790,331.00
Offsite Dvlp Zier&Therapy Pool	380,296.00
Department of Military and Veterans Affairs	
2013-064M14 Roof/paving HVAC Wakins	1,233.14
2017-037M16 Mitigate Site Flooding Risk and Repair Building	15.15
Department of Revenue	
Replace Pierce HVAC-Phase 1	9.12
Treasury	
Higher Ed Capital Construction Lease Purchase	12,646.86
Total Reversions in FY 2019	**6,585,907.31**
Less overexpenditures in Fund 4610 related to a prior year	6,266.14
Plus Interest Earnings	2,762,452.93
Total Available in Fund 4610 for Further Appropriation	**$ 9,342,094.10**

Information Technology Capital Account (4611) - General Fund Exempt

Appropriation Name	Amount
Institutions of Higher Education	
GJDA 2017-014I16 Technology Infrastructure	9,056.96
GGJA 2017-013I16 Campus IT Upgrades & Security	$ 1,997.73
GGJA 2016-016I15 Modular Data Center	22,002.90
GKAA 2017-019I16 Wireless & Netwrk Infrastructure Upgrd	20,435.51
Department of Human Services	
2015-030I14 - BHS, MHI Electronic Hlth Rec & Pharm Sys Repl	90,375.11
Department of Revenue	
2015-046P14 DMV IT System Replacement - DRIVES	18,804,340.75
Total Reversions in FY 2019	**18,948,208.96**
Plus Interest Earnings	2,186,499.63
Total Available in Fund 4611 for Further Appropriation	**$ 21,134,708.59**
Total Available in Funds 4610 and 4611 for Further Appropriation	**$ 30,476,802.69**

Excerpt from Page 62 of FY 2020-21 Budget Request November 1, 2019, Transmittal Document

In addition to the amount dedicated for capital spending in this request, the budget proposes to redirect unneeded capital reversions to the state's large infrastructure needs. On October 2, 2019 the Office of the State Controller reported more than $30 million in capital reversions from FY 2018-19. The majority of this amount is a result of the successful completion of the DRIVES IT system. The budget recommends transferring $25 million of the $30 million in reversions to CDOT's State Highway Fund.

The budget recommends transferring the remaining $5 million of capital reversions to the Severance Tax Perpetual Base Fund for implementation of the Colorado Water Plan. This $5 million transfer, combined with a $5 million General Fund transfer, continues last year's precedent of a $10 million investment for this crucial infrastructure.

Full document: https://drive.google.com/file/d/1ZIrGVDbfvnhXBXrhV0c-420K5FNVgaKN/view

Excerpt from Page 26 of Joint Budget Committee Staff Budget Briefing, Capital Construction and IT Capital Projects, November 18, 2019, Alfredo Kemm

The Governor's request identifies approximately $30 million in reversions in the Capital Construction Fund, including approximately $20 million from the Department of Revenue's $93.4 million DRIVES project. The Governor's request proposes transferring $25.0 million for transportation funding and $5.0 million to the Severance Tax Perpetual Base Fund for Implementation of the Colorado Water Plan.

The $25.0 million transfer for transportation funding is packaged with an additional $500 million from the General Fund for a total additional $525 million from General Fund. Similarly, the $5.0 million transfer is to be paired with an additional $5.0 million General Fund transfer to effect a total $10.0 million transfer to the Severance Tax Perpetual Base Fund.

The Committee may choose to effect transfers as it determines. However, staff would recommend retaining the $30 million in reversions in the Capital Construction Fund and thereby reduce the total General Fund transfer into the Capital Construction Fund by the same amount. The $30.0 million saved in transfers to the Capital Construction Fund can be included in direct transfers for the items identified.

It appears that the identified transfer amount matching the appropriated amount may be intended to synchronize those amounts to effect a simplified tracking system of funding provided for capital projects. However, there will also be interest earnings credited to the Capital Construction Fund, which will further reduce the total General Fund transfer. Approximately $3 million in interest earnings and depreciation-lease equivalent transfers were credited to the Capital Construction Fund as a part of balancing for a General Fund transfer for the 2019 Long Bill.

There may be a good reason for the Governor to identify certain pots of money as available for specified purposes. However, in practice it would probably be best to minimize the number of transfers that lead to the same funding outcome.

Full document: http://leg.colorado.gov/sites/default/files/fy2020-21_capbrf.pdf