

# STATE OF COLORADO

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**Memorandum of Understanding  
Between the  
State Controller's Office and the Capital Development Committee  
Enforcement of CRS 24-30-1404(7)  
Capital Construction Six Month Rule**

April 20, 1999

CRS 24-30-1404(7) requires agencies to execute a contract and encumber funds for any professional services, as defined by CRS 24-30-1404(6), related to a capital construction or controlled maintenance project within six months of the date the appropriation becomes law. For projects when no professional services contract is required, a contract for the project must be entered into within this same six month time frame. This Memorandum of Understanding (MOU) between the State Controller's Office (SCO) and the Capital Development Committee (CDC) defines the process to be used by departments or institutions to comply with the requirements of the statute.

**Construction Projects with professional services contracts:**

These are typically large building projects that require significant up-front design work.

- Compliance with the six month rule requires all architecture/engineering services contracts or any other significant professional services contracts related to the design of the project, identified in the project plan and included in section A, of the Construction Project Application Form (SC4.1), be executed and encumbered within the six month date.

-or-

- The project plan may contain an amount for professional services, proposed by the department or institution and agreed to by the CDC, to be encumbered by the six month date that is less than the architecture/engineering services contracts or other significant professional services contracts related to the design of the project, identified in the project plan and reported on the SC4.1. The project plan must also include justification for the proposed amount. The CDC will communicate the approved encumbrance amount to the SCO as a pre-approved recommendation for waiver under CRS 24-30-1404(7). The SCO will issue the waiver letter to the department or institution. If the department or institution cannot encumber the CDC approved amount by the six month date, they must submit a new waiver request, or revert the project funds.

**Construction Projects without professional services contracts:**

These are typically maintenance or repair projects, which may be at one location or spread over many locations. However, no professional services contracts are required to be obtained for the project to commence, or professional services are provided from non-capital construction sources.

- Compliance with the six month rule will be met with an encumbrance, by the six month date, for the total amount of the project, identified in the project plan and reported on the SC4.1.

-or-

- The project plan may contain a project amount, proposed by the department or institution and agreed to by the CDC, to be encumbered by the six month date that is less than the full amount of the project, identified in the project plan and reported on the SC4.1. The project plan must include justification for the proposed amount. The CDC will communicate the approved encumbrance amount to the SCO as a pre-approved recommendation for waiver under CRS 24-30-1404(7). The SCO will issue the waiver letter to the department or institution. If the department or institution cannot encumber this amount by the six month date, they must submit a new waiver request, or revert the project funds.

**Non-Construction Projects – IT or Equipment purchases:**

- Compliance with the six month rule will be met with an encumbrance, by the six month date, for the full amount of the project, identified in the project plan.

-or-

- The project plan may contain a project amount, proposed by the department or institution and agreed to by the CDC, to be encumbered by the six month date that is less than the full amount of the project as identified in the project plan. The project plan must include justification for the proposed amount. The CDC will communicate the approved encumbrance amount to the SCO as a pre-approved recommendation for waiver under CRS 24-30-1404(7). The SCO will issue the waiver letter to the department or institution. If the department or institution cannot encumber this amount by the six month date, they must submit a new waiver request, or revert the project funds.

**Other Issues**

- Amounts contained in the SC4.1.

The SCO realizes amounts contained in the Construction Project Application (SC4.1) are estimates. Therefore, compliance with the six month rule will be determined based on the reasonableness of the amount of the contract or project encumbered compared to the amount estimated on the Construction Project Application (SC4.1).

- Projects with multiple phases.

The six month rule requirement is generally monitored for compliance in the first phase of a project. If subsequent phases of a project are dependent on the first phase, once compliance is met in the first phase of the project, additional phases do not have a six month rule requirement. If multiple phases of a project are designed as stand-alone projects, each phase of the project will be required to meet the six month rule.



Representative Joyce Lawrence  
Chairman, Capital Development Committee



Arthur L. Barnhart  
State Controller