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Fiscal Note

Drafting Number: LLS 24-0196 Date: February 26, 2024
Prime Sponsors: Rep. Young; Daugherty Bill Status: House Health & Human Services
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Bill Topic: STATE FUNDING FOR HIGHER EDUCATION PROJECTS

Summary of Fiscal Impact: [X] State Revenue [ ] State Transfer [ ] Local Government
[X] State Expenditure [ ] TABOR Refund [ ] Statutory Public Entity

The bill directs the State Treasurer to execute a lease-purchase agreement to fund the certain capital construction projects. It makes a one-time transfer from the General Fund in FY 2023-24, increases state revenue in FY 2024-25 only, and increases state expenditures beginning in FY 2024-25.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under HB 24-1231

Table with 4 columns: Category, Sub-category, Current Year FY 2023-24, Budget Year FY 2024-25, Out Year FY 2027-28. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

## Summary of Legislation

The bill directs the State Treasurer to execute a lease-purchase agreement of about \$247 million by October 31, 2024, to fund capital construction projects related to health care education. The bill describes conditions for the issuance, including the limitation for annual state-funded payments, which begin in FY 2027-28. The funds raised by the issuance will be used for:

- construction of the College of Osteopathic Medicine at the University of Northern Colorado;
- construction of the Health Institute Tower at Metropolitan State University of Denver;
- construction of the Veterinary Health Education Complex at Colorado State University; and
- renovation of the Valley Campus Main Building at Trinidad State College.

More information on these capital projects may be found [here](#).

[Senate Bill 22-056](#) authorized UNC to create a college and offer degrees in osteopathic medicine. As a condition of accreditation, the university must retain funds in escrow that can be used to reimburse students if the new program becomes unable to award degrees. The bill creates the College of Osteopathic Medicine Escrow Money Cash Fund and transfers the required amount to the new fund. When the money is released from escrow to the university, the amount of state support it receives that fiscal year is reduced by the same amount.

## Background

The state enters into lease-purchase agreements using financial instruments called certificates of participation (COPs). In this type of lease-purchase agreement, the state transfers its interests in a property to a lessor in exchange for cash and then leases the property back through annual lease payments. The lessor assigns its interests to a trustee, usually a commercial bank, who holds the title to the property, collects lease payments from the state, and makes payments to the investors. The state renews the lease each year and makes annual payments authorized through the Long Bill. The interest rate paid by the state is fixed and depends on market conditions at the time COPs are priced for sale. When the lease ends, the state owns the facility at no or minimal additional cost.

## State Revenue

In FY 2024-25, the bill increases state revenue by \$246,936,092 from issuance of the COPs. Favorable market conditions may result in more revenue being received. The revenue generated will be deposited in specific cash funds for state institutions of higher education. This revenue is not subject to TABOR.

## State Transfers

The bill transfers \$41,250,000 from the General Fund to the College of Osteopathic Medicine Escrow Money Cash Fund on June 30, 2024.

**State Expenditures**

The bill increases state expenditures for capital projects and for lease payments on the COP.

**Capital projects.** In FY 2024-25, state expenditures will increase in the Department of Higher Education by the amount of revenue generated by the issuance, which is anticipated to be \$247 million. The amount each department expects to expend is shown in Table 2 below. While these expenditures are shown in FY 2024-25, funds may be spent over multiple fiscal years as is typical of large capital projects.

**Table 2  
Expenditures Under HB 24-1231**

	<b>FY 2024-25</b>
University of Northern Colorado	\$127,542,028
Colorado State University	\$50,000,000
Metropolitan State University of Denver	\$50,000,000
Trinidad State College	\$19,394,064
<b>Total Cost</b>	<b>\$246,936,092</b>

For informational purposes, the total costs for the projects based on the institutions' FY 2024-25 capital budget requests are shown in Table 3. State funds reflect the Capital Construction Fund, which is typically funded by an annual transfer from the General Fund. Cash Funds represent institutional revenue. Out-year costs not covered by the COP revenue will be addressed through the annual budget process.

**Table 3  
Capital Project Costs**

	<b>Fund Source</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
<b>University of Northern Colorado</b>	State Funds	\$126,266,608	-	-
	Cash Funds	\$1,275,420	-	-
<b>Colorado State University</b>	State Funds	\$25,000,000	\$25,000,000	-
	Cash Funds	\$74,999,991	\$19,000,001	-
<b>Metropolitan State University of Denver</b>	State Funds	\$8,960,824	\$27,834,505	\$16,330,081
	Cash Funds	-	\$5,903,479	-
<b>Trinidad State College</b>	State Funds	\$6,337,816	\$13,056,248	-
	Cash Funds	-	-	-
	<b>Total Cost</b>	<b>\$242,840,659</b>	<b>\$90,794,233</b>	<b>\$16,330,081</b>
	Total State Funds	\$166,565,248	\$65,890,753	\$16,330,081
	Total Cash Funds	\$76,275,411	\$24,903,480	-

**Lease payments.** The fiscal note assumes that payments on principal and interest, pursuant to the lease-purchase agreement, will begin in FY 2027-28. The bill limits such payments to \$17.5 million.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State and Local Government Contacts

Governor  
Treasury

Higher Education

Legislative Department

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).