



Legislative Council Staff

Research Note

Version: Final

Date: 12/5/2016

Bill Number

House Bill 16-1229

Sponsors

Representative Rankin
Senator Steadman

Short Title

*Higher Education Financial
Obligation Repayment*

Research Analyst

Matt Becker (x4785)

Status

This research note reflects the final version of the bill, which was signed by the Governor on April 14, 2016.

Summary

Under current law, a portion of Federal Mineral Lease (FML) revenue is allocated to two cash funds that can be used to fund capital construction projects at state institutions of higher education. The two funds are the Higher Education Maintenance and Reserve Fund (reserve fund) and the Higher Education FML Revenues Fund (revenues fund). The revenues fund is currently used to make certificates of participation (COP) lease payments for certain higher education capital projects.

For FY 2015-16, this bill, ***recommended by the Joint Budget Committee***, transfers any money in the reserve fund into the revenues fund. The bill then eliminates the reserve fund and directs all FML moneys previously deposited to the reserve fund to the revenues fund. The bill also prohibits the state from entering into any additional lease-purchase agreements to be funded from the revenues fund. Finally, the bill clarifies that annual appropriations for these higher education COP payments are made to the Department of Higher Education for transfer to the State Treasurer.

Background

The General Assembly passed Senate Bill 08-218 in order to provide a new source of revenue for higher education capital projects. The bill changed the allocation of FML revenues, and created two funds to provide money for higher education capital construction and controlled maintenance

This research note was prepared by Legislative Council Staff, the nonpartisan research staff for the Colorado General Assembly. The research note is provided for informational purposes only and should not be relied upon as an official record of action by the General Assembly. Legislative Council Staff are not attorneys, and the research note is not a legal opinion. If you have legal questions about the bill, including questions about the meaning of the bill language or amendments, please contact the drafter.

projects: the revenues fund and the reserve fund. Interest earnings on the reserve fund was to be used to pay for higher education controlled maintenance projects. However, the fund was never used for such purpose, largely because revenue was insufficient. The principal and interest earnings of the revenues fund may be used to pay for higher education capital construction projects for academic purposes, or to finance such projects, typically through COPs.

In some fiscal years, including FY 2012-13, the FML revenues fund has been used to make annual lease payments for COPs issued in November 2008 to pay for 12 projects at various higher education institutions. In recent years, there was insufficient revenue from the FML revenues fund to pay the entire annual COP lease payment.

House Action

House Finance Committee (February 24, 2016). The committee adopted amendment L.001, which prohibited the state from entering into any additional lease-purchase agreements to be funded from the revenues fund, transferred the balance of the reserve fund to the revenues fund, eliminated the reserve fund, and clarified that annual appropriations for higher education COP payments are made to the Department of Higher Education for transfer to the State Treasurer. The committee referred the bill, as amended, to the House Appropriations Committee.

House Appropriations Committee (March 4, 2016). The committee referred the bill to the House Committee of the Whole with no additional amendments.

House second reading (March 7, 2016). The House adopted the House Finance Committee report. The House passed the bill on second reading, as amended.

House third reading (March 7, 2016). The House passed the bill on third reading with no additional amendments.

Senate Action

Senate Finance Committee (March 15, 2016). The committee referred the bill to the Senate Appropriations Committee.

Senate Appropriations Committee (March 18, 2016). The committee referred the bill to the Senate Committee of the Whole.

Senate second reading (March 22, 2016). The Senate passed the bill on second reading.

Senate third reading (March 24, 2016). The Senate passed the bill on third reading.

Relevant Research

Legislative Council Staff, *Certificates of Participation*, Issue Brief, August 2015: <http://tinyurl.com/hkshu6l>