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REVISED FISCAL NOTE

(replaces fiscal note dated June 5, 2020)

Drafting Number: LLS 20-1301 Date: June 9, 2020
Prime Sponsors: Sen. Fields; Sonnenberg Bill Status: House Appropriations
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Bill Topic: LEASE-PURCHASE ISSUANCE FOR CAPITAL CONSTRUCTION

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

The bill directs the State Treasurer to execute a lease-purchase agreement to fund the continuation of certain capital construction projects. It increases state revenue and expenditures in FY 2020-21 only.

Appropriation Summary: No appropriation is required.

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

Table 1
State Fiscal Impacts Under SB 20-219

Table with 4 columns: Category, Sub-category, FY 2020-21, FY 2021-22. Rows include Revenue (Cash Funds), Expenditures (General Fund, Cash Funds), Transfers, and TABOR Refund.

Summary of Legislation

The bill directs the State Treasurer to issue a lease-purchase agreement of up to \$65.5 million by June 30, 2021, to fund the continuation of higher education capital construction projects that were previously funded. The bill describes conditions for the issuance, including the limitation for annual state-funded payments.

The bill further directs the Capital Development Committee (CDC) to publish a list of projects to be funded by August 15, 2020. Any additional revenue received from this issuance beyond what is necessary to fund those projects is to be credited to the Emergency Controlled Maintenance Account in the Department of Personnel and Administration.

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 2020-21, the bill increases state revenue by up to \$65.5 million. The exact amount will depend on the conditions of the lease-payment issuance, as determined by the State Treasurer. Favorable market conditions may result in more than \$65.5 million in revenue being received. The revenue generated will be deposited in specific cash funds for state institutions of higher education, as determined by the CDC, with the remainder credited to the Emergency Controlled Maintenance Account of the Capital Construction Fund.

State Expenditures

In FY 2020-21, state expenditures will increase in the Department of Higher Education and the Department of Personnel and Administration by the amount of revenue generated by the issuance, which is anticipated to be \$65.5 million. The amount expended by each department will be determined by allocations made by the CDC.

The fiscal note assumes that payments on principal and interest, pursuant to the lease-purchase agreement, will begin in FY 2021-22. The bill limits such payments to \$5.5 million.

Effective Date

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

State and Local Government Contacts

Higher Education
Personnel

Legislative
Treasury