



## Legislative Council Staff

*Nonpartisan Services for Colorado's Legislature*

# Fiscal Note

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<b>Drafting Number:</b>	LLS 22-0701	<b>Date:</b>	February 10, 2022
<b>Prime Sponsors:</b>	Sen. Zenzinger; Simpson Rep. Rich; McLachlan	<b>Bill Status:</b>	Senate Education
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**Bill Topic:** TUITION REVENUE PLEDGED BY INSTITUTION OF HIGHER EDUCATION

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**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill allows institutions of higher education to pledge 100 percent of tuition revenue when issuing revenue bonds for capital construction. The bill potentially decreases expenditures in interest payments.

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**Appropriation Summary:** No appropriation is required.

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

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## Summary of Legislation

The bill allows state institutions of higher education with enterprise status to pledge up to 100 percent of tuition revenue when issuing revenue bonds for capital construction. Under current law, institutions may only pledge up to ten percent of tuition revenue. For institutions who have pledged tuition revenue for new bonds through the state intercept bond program, the bill increases the allowable pledge from not less than 10 percent of tuition to not less than 100 percent of tuition.

## Background

A higher education institution may issue revenue bonds to finance a cash-funded capital construction project that has been approved by the Capital Development Committee as part of a two-year projection of cash need. The bonds may be backed by the institution's credit rating, or the institution may opt to participate in the state intercept program, which allows an institution of higher education to bond for capital projects using the state's credit rating. The intercept program directs the state treasurer to make payments of principal and/or interest on bonds on behalf of a state-supported institution of higher education in the event the school does not make a scheduled payment.

## **State Expenditures**

**State institutions of higher education.** The bill potentially reduces expenditures and improves the credit rating of schools who issue revenue bonds for capital construction projects, or who participate in the state's bond intercept program. Better credit ratings may result in lower interest rates on issuance of debt and reduced expenditures. For example, if a school issues a revenue bond to pay for a residence hall and is only able to pledge 10 percent of tuition revenue to bondholders, the interest rate on the note is likely higher than if the school is allowed to pledge 100 percent of this revenue.

## **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