



State of Colorado Higher Education State Intercept Program

Overview of Program Presented to CDC March 12, 2015

State of Colorado

- ▶ Higher Education Intercept Program Overview
 - ▶ Created by Colorado Revised Statutes 23-5-139: Provides additional source of security for investors purchasing revenue bonds backed by various State institutions of higher education
 - ▶ This translates into lower borrowing costs for the institution
 - ▶ The financial intercept is a mechanism whereby, in the event the institution is going to fail to make a debt service payment on the bonds, the State Treasurer's office would wire the amount of money needed to meet this next debt service obligation, making sure investors are made whole
 - ▶ The Treasurer would then decrease/intercept any State-aid owed to the institution by an amount equivalent to the amount of debt service the State had to pay to investors
 - The amount withheld in the month following a payment by the Treasurer will be one-twelfth of the amount the Treasurer paid on the bonds – this will continue for 12-months so that the State is made whole
 - ▶ Treasurer can only withhold state-aid to a particular institution for twelve consecutive months **per occurrence**
 - ▶ Debt service on revenue bonds occurs semi-annually, so to the extent the institution continues to look to the Treasurer to make debt service payments, State-aid can continue to be withheld from the institution

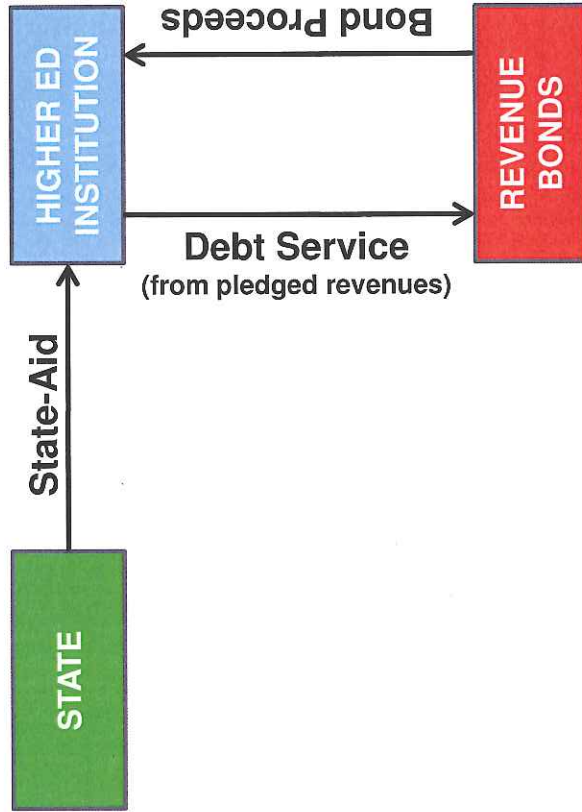
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- ▶ Higher Education Intercept Program – Eligibility Requirements
 - ▶ Credit rating in one of the three highest categories – i.e. AAA, AA or A
 - ▶ Debt service coverage ratio of 1.5x - Calculated by dividing pledged revenues in every year by the associated debt service in each year
 - ▶ Example – If an institution has annual pledged revenues of \$3mm, annual debt service on the bonds can not exceed \$2mm
 - ▶ Pledged revenues for the bond issue include not less than:
 - ▶ Net revenues of Auxiliaries
 - ▶ 10% of tuition (if institution is an enterprise)
 - ▶ Indirect cost recovery revenues (if any)
 - ▶ Facility construction fees designated for bond repayment (if any)
 - ▶ Student fees and ancillary revenues currently pledged to existing bondholders
 - ▶ Treasurer may exempt a bond issue from the aforementioned requirements if the bond issue represents a refinancing for savings
 - ▶ Institution shall file with the state treasurer a copy of the resolution that authorizes the issuance of bonds; a copy of the official statement or other offering document for the bonds; the agreement, if any, with the paying agent for the bonds; and the name, address, and telephone number of the paying agent -- The failure of any institution to file such information shall not affect the obligation of the state treasurer to withhold the state's fee-for-service contract payments to the institution

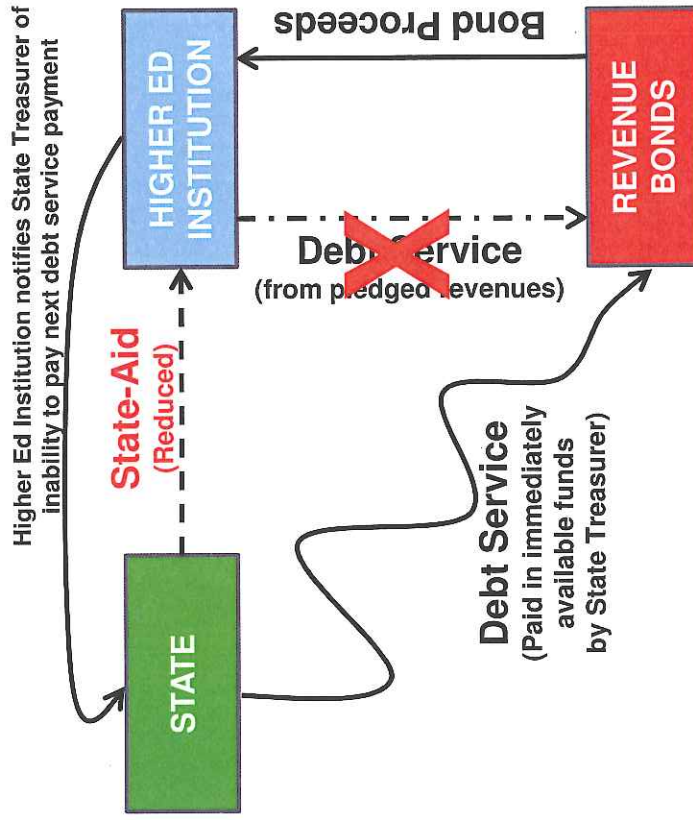
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Higher Education Intercept Program - Implementation

Original Bond Issuance



Intercept Triggered



Use of intercept triggers audit of higher education institution