

Fiscal Year 2009-10 Capital Construction Request

Higher Education

Various Higher Education Projects -- November 2008 Issue (COP Project)

PROGRAM PLAN STATUS

2009-203

Approved Program Plan? Date Approved:

Twelve higher education projects will be financed through certificates of participation (COPs). CCHC approved 7 COP projects on October 4, 2007; 3 projects on October 5, 2006; 1 project on November 7, 2005; and waived the program plan requirement for one project because it was requested below the \$500,000 review threshold.

PRIORITY NUMBERS

Prioritized By _____ Priority _____

Dept/Inst 1 of 1

OSPB N/A of 44 OSPB recommends that all cash projects be funded, but also assigned cash priorities.

PRIOR APPROPRIATION AND REQUEST INFORMATION

<u>Fund Source</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
CF	\$0	\$16,652,725	\$16,654,550	\$49,957,125	\$83,264,400
Total	\$0	\$16,652,725	\$16,654,550	\$49,957,125	\$83,264,400

ITEMIZED COST INFORMATION

<u>Cost Item</u>	<u>Prior Approp.</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>Future Requests</u>	<u>Total Cost</u>
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$0	\$0	\$0	\$0	\$0
Construction	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$16,652,725	\$16,654,550	\$49,957,125	\$83,264,400
Contingency	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$16,652,725	\$16,654,550	\$49,957,125	\$83,264,400

SUMMARY OF THE PROJECT

The Department of Higher Education (DHE) is requesting cash funds spending authority from the Higher Education Federal Mineral Lease (FML) Revenues Fund to pay the second of 20 annual lease payments for certificates of participation (COP) sold on November 6, 2008. The November 6 COP financed construction for projects at 12 higher education institutions. The total repayment cost to the state, based on a principal amount of \$202.3 million, for all the projects is \$325.5 million.

The projects financed by the November 6 COP are listed below:

- University of Northern Colorado, Butler Hancock Interior Renovation
- Colorado Northwestern Community College, Academic Building, Craig Campus
- Colorado State University - Pueblo, Academic Resources Center Remodel
- Colorado School of Mines, Brown Hall Addition
- Colorado State University, Clark Building Revitalization
- Auraria Higher Education Center, Science Building Addition and Renovation
- Western State College, Taylor Hall Renovation and Addition

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- Mesa State College, Wubben Hall Expansion and Renovation
- University of Colorado - Colorado Springs, Renovation of Existing Science Building
- Morgan Community College, Nursing, Health Technology and Science Building Addition/Renovation
- Front Range Community College, Larimer Campus, Science Classroom Addition/Renovation
- Fort Lewis College, Berndt Hall Reconstruction - Geology/Physics/Engineering (professional services costs)

Legislative authorization. Section 24-82-102 (1) (b), C.R.S., requires that before a lease-purchase agreement can be executed, it must be specifically authorized by a bill other than the annual general appropriations bill or a supplemental appropriations bill. Senate Bill 08-233 authorized the November 6 COP and outlined the prioritization process for higher education capital construction projects to be funded with future FML revenue made available through the passage of Senate Bill 08-218. House Joint Resolution 08-1042 listed in priority order the higher education capital construction projects to be funded with future FML revenue. Senate Bill 08-233 also granted the Treasurer the authority to enter into lease-purchase agreements to fund projects approved in House Joint Resolution 08-1042 and instructed the Treasurer to fund projects in order, as far down the priority list as possible.

Annual payments. Senate Bill 08-233 stipulated that the annual payments not exceed \$16.2 million in the first 10 years of payments, and \$16.8 million in the second 10 years of payments. Thus, the average annual payment over 20 years cannot exceed \$16.5 million. The first lease payment of \$10.0 million will be made in FY 2008-09 and the final payment is scheduled for FY 2027-28. The average annual payment over the 20-year term is \$16.3 million. Payments include principal and interest.

FY 2008-09 payment. Senate Bill 08-233 appropriated up to \$10 million for the FY 2008-09 lease payment to the treasury because the controller had not yet determined where to account for the lease payments at the time the bill was adopted. It was later determined by the controller that the annual lease-payments would be paid by the Department of Higher Education. The FY 2008-09 appropriation will be amended during the 2009 session to change the appropriation from the State Treasurer's Office to the Department of Higher Education. The FY 2008-09 lease payment is \$9,996,507.

Project funding. The principal and interest earnings of the Higher Education FML Revenues Fund may be used to pay for higher education capital construction projects for academic purposes, or the financing of such projects. The fund earns revenue from regular rent paid by mineral and gas companies that lease federal land for mineral development and from royalties paid to the federal government for any minerals that are extracted and sold during production. Pursuant to Section 23-19.9-102(1)(a), C.R.S., up to \$50 million FML rent and royalty revenue that exceeds its primary allocations is distributed to the fund annually. **About \$120.5 million is expected to be available through FY 2011-12 for higher education capital construction projects from this FML source.** This estimate is based on the December 20, 2008, economic forecast by Legislative Council Staff.

The Higher Education Lease-Purchase Cash Fund is used to account for the November 6 COP issuance, the annual lease-payments, and payments to contractors for project costs. After the department receives cash funds spending authority, it will transfer cash for the lease payment from the Higher Education FML Revenues Fund to the Higher Education Lease Purchase Cash Fund so that the Treasurer can disburse the payment to Wells Fargo Bank, the lessor for the November 6 COP.