

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee/Conference Committee on H.B. 22-1329
FROM Amanda Bickel, JBC Staff (telephone (303) 866-4960)
DATE April 11, 2022
SUBJECT Option to Modify Funding Source for One IT Capital Project

Before closing the Long Bill, the JBC voted to fund almost all capital construction projects in the Long Bill using ARPA money deposited to the Revenue Loss Restoration Cash Fund (ARPA funds), including additional transfers into that fund authorized by H.B. 22-1340 (capital transfers).

The rationale for this was, at least in part, to ensure that higher education institutions did not lose their status as TABOR enterprises as a result of capital grants. Capital construction funding from the General Fund/Capital Construction Fund is treated as a grant of state money for TABOR purposes, as opposed to fee-for-service contracts and student stipends that provide operating support for the institutions. Funds that originate as federal funds, including federal Coronavirus State Fiscal Recovery Funds, do not count as a grant of state funds for TABOR purposes.

By using ARPA funds for capital construction funding, in lieu of Capital Construction Funds, the JBC greatly reduced the risk that any institution would lose its enterprise status. However, the change implemented by the JBC did not include capital information technology (IT) funding, and, as a result, some of the smallest institutions are still at some risk of losing their TABOR enterprise status for FY 2022-23. Specifically, a comparison FY 2021-22 total revenue and FY 2022-23 General Fund grants, based on the Long Bill indicates that grants will equal:

- 8.3 percent of 2022 revenue for Adams State University
- 7.7 percent of 2022 revenue for Western Colorado University
- 6.0 percent of 2022 revenue for Fort Lewis College

The threshold for losing enterprise status is 10.0 percent. Adams State University has already lost its enterprise status for FY 2021-22.

If the JBC wishes to be certain that no institution will lose enterprise status in FY 2022-23, staff recommends adjusting the funding source for one of the capital IT projects so that it is also funded from the Revenue Loss Restoration Cash Fund, rather than the Capital Construction Fund.

Specifically, staff recommends that the Committee consider changing the funding source for the following project:

Adams State University, Western Colorado University, Fort Lewis College:
Digital Transformation Initiative
FY 2022-23 Appropriation: \$15,563,988

Please note that **if the JBC wishes to use the General Fund saved from this change in FY 2022-23, it should also amend H.B. 22-1340 to reduce the General Fund transfer to the Capital**

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Construction Fund. Alternatively, it could choose to modify a Long Bill capital project appropriation for an entity for which enterprise status is irrelevant to include an appropriation from the Capital Construction Fund in lieu of federal funds in the same total dollar amount (\$15,593,988). A reasonable candidate would be the Auraria Higher Education Center Critical Campus-wide Building Envelope and Energy Code Deficiencies (Capital Renewal) project which includes an appropriation of \$22,147,382 from the Revenue Loss Restoration Cash Fund. *A change would still be required to H.B. 22-1340, however, because IT capital construction and building capital construction are funded from separate funds.*