



OFFICE OF THE STATE AUDITOR



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STATE AUDITOR

HIGHER EDUCATION ENTERPRISE STATUS FOR FISCAL YEAR 2020 WITH PROJECTIONS FOR FISCAL YEAR 2021

Members of the Legislative Audit Committee:

Under Section 23-5-101.7(2), C.R.S., a state institution of higher education governing board may designate its respective institution(s) as an enterprise for purposes of Article X, Section 20 of the Colorado Constitution (Taxpayer's Bill of Rights or TABOR). Article X, Section 20(2)(d), defines a TABOR enterprise as "a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined." Entities that meet the definition of a TABOR-exempt enterprise are exempt from the revenue growth and spending limitations of TABOR.

The Office of the State Auditor and the Legislative Audit Committee (LAC) reviewed and approved the initial TABOR enterprise designation of each higher education institution listed below in prior years:

- Adams State University
- Colorado Community College System
- Colorado School of Mines
- Colorado State University System
- Fort Lewis College

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- Colorado Mesa University
- Metropolitan State University of Denver
- University of Colorado System
- University of Northern Colorado
- Western State Colorado University

Section 23-5-101.7(4)(a), C.R.S., states that a higher education institution’s TABOR enterprise designation “...shall not terminate, expire, or be rescinded as long as the institution or group of institutions meets the requirements for an enterprise.” Determination of continuing enterprise status is made at the end of each fiscal year after final financial information is known. This memo provides the final enterprise status of the 10 institutions listed above for Fiscal Year 2020, and their projected enterprise status for Fiscal Year 2021.

FINAL ENTERPRISE STATUS FOR FISCAL YEAR 2020

During Fiscal Year 2020, all higher education institutions reported that they received some level of direct financial support from the State. EXHIBIT 1.1 shows the amount of revenue earned and state and local support received by the higher education enterprises for Fiscal Year 2020. EXHIBIT 1.1 also shows that all 10 institutions received less than 10 percent of their total revenue from the State and/or local sources, and thereby qualified for TABOR-exempt enterprise status.

**EXHIBIT 1.1. HIGHER EDUCATION TABOR-EXEMPT ENTERPRISE STATUS
ACTUAL REVENUES AND STATE AND LOCAL SUPPORT
FISCAL YEAR 2020**

	TOTAL REVENUE	STATE SUPPORT GENERAL FUND APPROPRIATION SPENT (NOTE 1)	STATE ALLOCATION OF PERA DIRECT DISTRIBUTION (NOTE 2)	STATE SUPPORT CAPITAL APPROPRIATION SPENT (NOTE 3)	OTHER STATE AND LOCAL SUPPORT (NOTE 4)	TOTAL STATE AND LOCAL SUPPORT	TOTAL SUPPORT AS A PERCENTAGE OF TOTAL REVENUE
ADAMS STATE UNIVERSITY	\$ 58,791,694	\$ -	\$ 258,018	\$ 36,755	\$ 119,250	\$ 414,023	0.7%
COLORADO COMMUNITY COLLEGE SYSTEM	767,909,298	5,462,389	6,841,215	26,961,626	7,954,403	47,219,553	6.1%
COLORADO SCHOOL OF MINES	323,725,936	-	1,933,364	1,216,518	5,792,333	8,942,215	2.8%
COLORADO STATE UNIVERSITY SYSTEM	1,544,044,063	-	4,084,496	40,057,988	26,076,841 (NOTE 5)	70,219,325	4.5%
FORT LEWIS COLLEGE	80,389,408	-	195,432	1,932,698	559,599	2,687,729	3.3%
COLORADO MESA UNIVERSITY	168,984,755	-	364,204	1,689,806	2,670,012 (NOTE 6)	4,724,022	2.8%
METROPOLITAN STATE UNIVERSITY OF DENVER	252,897,348	-	1,088,406	-	510,129 (NOTE 7)	1,598,535	0.6%
UNIVERSITY OF COLORADO SYSTEM	5,019,689,130	-	8,258,208	31,045,242	28,196,755 (NOTE 8)	67,500,205	1.3%
UNIVERSITY OF NORTHERN COLORADO	228,644,740	-	787,639	930,553	1,917,827 (NOTE 9)	3,636,019	1.6%
WESTERN STATE COLORADO UNIVERSITY	64,259,206	-	140,354	3,562,969	1,797,991	5,501,314	8.6%

SOURCE: Office of the State Auditor analysis of institution-provided financial information.

NOTE 1: Appropriations of \$4,500,000 for Colorado First Customized Job Training, and \$962,309 for Occupational Education for CCCS.

NOTE 2: PERA distribution pursuant to Section 24-51-414(1), C.R.S. for Fiscal Year 2020 allocated to the higher education institutions by the Office of the State Controller.

NOTE 3: Capital funds used during Fiscal Year 2020 and may not equal capital funds appropriated for any one year.

NOTE 4: State support received from annual lease payments for capital projects financed by state Certificates of Participation, other state support, and local government support.

NOTE 5: State support includes \$16,570,927 to construct several facilities at the National Western Center and on the Colorado State University campus.

NOTE 6: Local government support includes \$989,125 from the City of Grand Junction and Mesa County pledged for debt service for Colorado Mesa University.

NOTE 7: Local government support includes \$510,129 for Census 2020 and the 21st Century College Readiness program in partnership with the City and County of Denver and Metropolitan State University of Denver.

NOTE 8: State support includes \$17,915,233 from the Tobacco Litigation Settlement Moneys Health Education Fund and Marijuana research for the University of Colorado. Other state support also consists of \$7,780,884 received from annual lease payments for capital project financed by state Certificates of Participation related to the Anschutz Medical Campus.

NOTE 9: Local Government support includes \$114,744 in funds from the City of Greeley, Weld County, and Aims Community College.

PROJECTED TABOR ENTERPRISE STATUS FOR FISCAL YEAR 2021

EXHIBIT 1.2 shows the estimated amount of revenue expected to be earned and state and local support expected to be received by higher education enterprises in Fiscal Year 2021, as reported by each higher education institution. Based on current projections, all of the institutions are expected to be below the 10 percent threshold for Fiscal Year 2021.

EXHIBIT 1.2. HIGHER EDUCATION TABOR-EXEMPT ENTERPRISE STATUS ESTIMATED REVENUES AND STATE AND LOCAL SUPPORT FISCAL YEAR 2021

	TOTAL REVENUE	STATE SUPPORT GENERAL FUND APPROPRIATION (NOTE 1)	STATE SUPPORT CAPITAL APPROPRIATION PROJECTED TO BE SPENT (NOTE 2)	OTHER STATE AND LOCAL SUPPORT (NOTE 3)	TOTAL STATE AND LOCAL SUPPORT	TOTAL SUPPORT AS A PERCENTAGE OF TOTAL REVENUE
ADAMS STATE UNIVERSITY	\$ 53,814,861	\$ -	\$ 2,942,609	\$ 119,250	\$ 3,061,859	5.7%
COLORADO COMMUNITY COLLEGE SYSTEM	733,983,157	5,462,309	26,433,634	8,148,773	40,044,716	5.5%
COLORADO SCHOOL OF MINES	323,391,909	-	809,385	7,736,512	8,545,897	2.6%
COLORADO STATE UNIVERSITY SYSTEM	1,627,038,646	-	-	28,444,485 (NOTE 4)	28,444,485	1.7%
FORT LEWIS COLLEGE	76,216,959	-	290,870	693,272	984,142	1.3%
COLORADO MESA UNIVERSITY	167,183,552	-	-	2,465,731 (NOTE 5)	2,465,731	1.5%
METROPOLITAN STATE UNIVERSITY OF DENVER	219,897,992	-	-	510,129 (NOTE 6)	510,129	0.2%
UNIVERSITY OF COLORADO SYSTEM	4,188,005,173	-	4,500,987	28,218,593 (NOTE 7)	32,719,850	0.8%
UNIVERSITY OF NORTHERN COLORADO	218,301,331	-	3,399,894	2,320,561 (NOTE 8)	5,720,455	2.6%
WESTERN STATE COLORADO UNIVERSITY	61,886,870	-	1,097,789	1,949,081	3,046,870	4.9%

SOURCE:	Office of the State Auditor analysis of Fiscal Year 2021 information provided by each higher education institution.
NOTE 1:	Appropriations of \$3,500,000 for Colorado First Customized Job Training and \$962,309 for Occupational Education for CCCS.
NOTE 2:	Estimated capital funds to be used during Fiscal Year 2021 which may not equal capital funds appropriated for any one year.
NOTE 3:	State support received from annual lease payments for capital projects financed by State Certificates of Participation, other state appropriations, and local government support.
NOTE 4:	State support includes \$18,696,574 to construct several facilities at the National Western Center and on Colorado State University campus.
NOTE 5:	Local government support includes \$989,125 from the City of Grand Junction and Mesa County pledged for debt service for Colorado Mesa University.
NOTE 6:	Local government support includes \$510,129 for local grants in partnership with the City and County of Denver and Metropolitan State University of Denver.
NOTE 7:	State support includes the estimated amount of \$14,062,807 from the Tobacco Litigation Settlement Moneys Health Education Fund to the Anschutz Medical Campus \$3,050,000 from the Marijuana Tax Cash Fund to the Anschutz Medical Campus, and \$8,144,913 for Certificates of Participation related to the Anschutz Medical Campus.
NOTE 8:	Local Government support includes \$105,940 in funds from the City of Greeley, Weld County, and Aims Community College.

The disqualification of an institution as a TABOR-exempt enterprise has several consequences. First, the State Controller adjusts the state prior fiscal year spending limit (TABOR base) by adding the institution's TABOR-exempt revenue back to ensure comparability between the TABOR base and current year nonexempt revenue. The TABOR base is used to calculate the limit on fiscal year spending and the amount required to be refunded or the amount of excess revenue to be retained. If a higher education institution does not qualify as a TABOR-exempt enterprise and it experiences a more rapid rate of growth in revenue than allowed under TABOR, the institution could contribute disproportionately to any required taxpayer refund, which historically has been paid from General Fund resources.

Additional consequences resulting from the loss of TABOR-exempt enterprise status include:

- The accounting burden for the institution, as well as other state departments doing business with the institution, is increased because of the need to change the categories, often at the end of the year, for recording of revenues and expenses for TABOR purposes.
- The institution's sources of revenue available to pledge for the payment of principal, interest, and reserve requirements on revenue bonds decreases. In addition to other

sources of revenue that may be used, Section 23-5-103(1), C.R.S., generally allows a higher education institution designated as a TABOR-exempt enterprise to pledge up to 100 percent of its tuition revenue for payment of bond debt and reserve requirements, with few restrictions. However, without TABOR-exempt enterprise status, an institution loses its ability to pledge a percentage of its tuition for such purpose at the time such bonds are issued.

COLLEGE OPPORTUNITY FUND STIPENDS AND FEE-FOR-SERVICE CONTRACT PURCHASES

The College Opportunity Fund (COF) was established by Senate Bill 04-189 [Section 23-18-101, C.R.S.] as a trust fund to provide financial assistance to eligible undergraduate college students through stipend payments and fee-for-service contracts for higher education institutions. To obtain a COF stipend, an eligible undergraduate student must apply for the stipend and be admitted to a state or private participating institution of higher education in Colorado; the institution then requests payment from the Colorado Department of Higher Education (CDHE). CDHE, in turn, submits the request to CollegeAssist, which then transfers the funds to the institution so the funds can be applied against the student's in-state tuition cost. Qualified students receive stipend payments on a credit-hour basis for undergraduate instruction up to a life-time limitation of 145 credit hours; however, if a student has already completed his or her baccalaureate degree under the COF, he or she may receive stipend payments for an additional 30 undergraduate credit hours.

Section 23-18-303, C.R.S., gives the Department of Higher Education the ability to enter into fee-for-service contracts with higher education governing boards to purchase services. There are four types of fee-for-service contracts: role and mission, performance, specialty education programs, and limited purpose. The Department's annual funding for each of the four types of contracts is determined by the Commission.

COF stipends and fee-for-service contracts are not considered a grant in accordance with Section 23-5-101.5 (2)(b)(II), C.R.S., and are therefore not considered state support in the TABOR enterprise status calculations; however, information regarding the COF stipends and fee-for-service contracts is provided in this memo for informational purposes.

FISCAL YEAR 2020 COF AND FEE-FOR-SERVICE EXPENDITURES

For Fiscal Year 2020, the appropriation for the COF Program and fee-for-service contracts was approximately \$822.7 million. This appropriation is comprised of approximately \$356.2 million for COF stipends, and about \$466.5 million for fee-for service contracts. Participating private institutions were appropriated approximately \$1.7 million for the COF program. The COF stipend during Fiscal Year 2020 was \$94 per credit hour for public institutions.

EXHIBIT 1.3 shows the Fiscal Year 2020 actual expended amounts reported by the Department of Higher Education for each of the State’s public institutions of higher education.

EXHIBIT 1.3. STATE HIGHER EDUCATION INSTITUTIONS ACTUAL FEE-FOR-SERVICE CONTRACTS AND COLLEGE OPPORTUNITY FUND (COF) STIPENDS FISCAL YEAR 2020

	FEE-FOR-SERVICE TOTALS	COLLEGE OPPORTUNITY FUND STIPENDS	TOTAL
ADAMS STATE UNIVERSITY	\$ 14,717,826	\$ 2,562,431	\$ 17,280,257
COLORADO COMMUNITY COLLEGE SYSTEM	63,308,882	127,138,813	190,447,695
COLORADO SCHOOL OF MINES	17,313,980	8,057,285	25,371,265
COLORADO STATE UNIVERSITY SYSTEM	121,960,895	50,417,641	172,378,536
FORT LEWIS COLLEGE	10,742,285	3,394,152	14,136,437
COLORADO MESA UNIVERSITY	15,112,562	17,372,397	32,484,959
METROPOLITAN STATE UNIVERSITY OF DENVER	26,836,913	37,132,229	63,969,142
UNIVERSITY OF COLORADO SYSTEM	160,465,610	83,808,316	244,273,926
UNIVERSITY OF NORTHERN COLORADO	29,466,068	17,613,396	47,079,464
WESTERN STATE COLORADO UNIVERSITY	11,439,715	3,795,664	15,235,379
TOTAL	\$ 471,364,736	\$ 351,292,324	\$ 822,657,060

SOURCE: Office of the State Auditor analysis of amounts for fee-for-service contracts based on information provided by the Department of Higher Education.

FISCAL YEAR 2021 COF AND FEE-FOR-SERVICE EXPENDITURES

For Fiscal Year 2021, the total amount appropriated in the Long Bill (House Bill 20-1360) and other bills for the State’s public institutions for the COF program and fee-for-service contracts is approximately \$346.7 million. This appropriation is comprised of

approximately \$149.8 million for COF stipends, and about \$196.9 million for fee-for-service contracts. Participating private institutions were appropriated approximately \$734,000 for the COF program. Due to the decreased State revenues resulting from the onset of COVID-19 in March 2020, the Joint Budget Committee reduced the COF stipend to \$40 per credit hour for public institutions in Fiscal Year 2021.

The appropriation by type of funding for fee-for-service contracts and COF stipends for each of the State’s public institutions of higher education for Fiscal Year 2021 are shown in EXHIBIT 1.4.

**EXHIBIT 1.4. STATE HIGHER EDUCATION INSTITUTIONS
APPROPRIATED FEE-FOR-SERVICE CONTRACTS AND
COLLEGE OPPORTUNITY FUND (COF) STIPENDS
FISCAL YEAR 2021**

	ROLE AND MISSION FUNDING	PERFORMANCE FUNDING	SPECIALTY EDUCATION PROGRAM & SPECIAL BILLS	LIMITED PURPOSE FEE-FOR-SERVICE	FEE-FOR-SERVICE TOTALS	COLLEGE OPPORTUNITY FUND STIPENDS	TOTAL
ADAMS STATE UNIVERSITY	\$ 3,635,262	\$ 2,461,918	\$ -	\$ -	\$ 6,097,180	\$ 1,160,528	\$ 7,257,708
COLORADO COMMUNITY COLLEGE SYSTEM	13,642,259	12,739,782	-	449,312	26,831,353	53,361,567	80,192,920
COLORADO SCHOOL OF MINES	3,899,998	3,397,604	-	-	7,297,602	3,358,329	10,665,931
COLORADO STATE UNIVERSITY SYSTEM	10,315,505	10,581,301	28,965,063	880,480	50,742,349	21,885,983	72,628,332
FORT LEWIS COLLEGE	2,346,689	2,048,415	-	-	4,395,104	1,542,200	5,937,304
COLORADO MESA UNIVERSITY	2,446,085	3,610,975	-	182,352	6,239,412	7,460,623	13,700,035
METROPOLITAN STATE UNIVERSITY OF DENVER	3,205,729	7,209,511	-	182,352	10,597,592	16,325,799	26,923,391
UNIVERSITY OF COLORADO SYSTEM	14,132,802	18,718,155	33,165,975	1,801,964	67,818,896	35,360,118	103,179,014
UNIVERSITY OF NORTHERN COLORADO	6,738,187	5,209,987	-	75,000	12,023,174	7,793,701	19,816,875
WESTERN STATE COLORADO UNIVERSITY	2,777,057	1,965,563	-	121,568	4,864,188	1,572,239	6,436,427
TOTAL	63,139,573	\$ 67,943,211	\$ 62,131,038	\$ 3,693,028	\$ 196,906,850	\$ 149,821,087	\$ 346,727,937

SOURCE: Office of the State Auditor analysis of amounts for fee-for-service contracts based on information provided by the Department of Higher Education.

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PLEASE REFER TO REPORT NUMBER 2035S WHEN REQUESTING THIS MEMORANDUM.