

Fiscal Year 2023-24 Capital Construction Request

Higher Education
S.B. 20-219 COP Payment

PROGRAM PLAN STATUS

2023-039

Approved Program Plan

No

Date Approved:

PRIORITY NUMBERS

| Prioritized By | Priority | |
|----------------|-----------------|--|
| OSPB | 20 of 21 | Recommended for funding with FLC portion from CCF and CSU & CU portions from CF. |
| CCHE | Not Prioritized | |

PRIOR APPROPRIATIONS AND REQUEST INFORMATION

| Fund Source | Prior Approp. | FY 2023-24 | FY 2024-25 | Future Requests | Total Costs |
|--------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| CCF | \$1,926,018 | \$4,745,875 | \$4,753,000 | \$80,810,825 | \$92,235,718 |
| CF | \$2,820,357 | \$0 | \$0 | \$0 | \$2,820,357 |
| Total | \$4,746,375 | \$4,745,875 | \$4,753,000 | \$80,810,825 | \$95,056,075 |

ITEMIZED COST INFORMATION

| Cost Item | Prior Approp. | FY 2023-24 | FY 2024-25 | Future Requests | Total Cost |
|-----------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| 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 | \$4,746,375 | \$4,745,875 | \$4,753,000 | \$80,810,825 | \$95,056,075 |
| Contingency | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | \$4,746,375 | \$4,745,875 | \$4,753,000 | \$80,810,825 | \$95,056,075 |

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PROJECT STATUS

This is the second year of an ongoing request for an annual lease payment. The FY 2021-22 payment was made through capitalized interest and FY 2022-23 was the first year the request was included in the capital section of the Long Bill. Repayment of certificates of participation (COPs) is considered part of the capital construction budget until the construction of the buildings financed by the COPs is substantially complete, at which time the payments shift over to the operating budget.

When the Governor signed SB 20-219 into law, he included a signing statement expressing his concern about the funding of capital projects outside of the traditional capital construction evaluation process and the annual obligations to the state's General Fund as a result of the COP payments. In particular, the Governor expressed hesitancy about providing this level of state funding to the University of Colorado (CU) and Colorado State University (CSU), as both institutions have significant cash fund resources, unlike the third payment recipient, Fort Lewis College (FLC). Last year, OSPB recommended the COP payments for funding, with the caveat that FLC's portion be funded with state funds, while CSU's and CU's portion instead be funded through each university's cash reserves. The CDC sent a letter to the JBC on January 25, 2022 reiterating that the committee's intent has always been to fund the payments using state funds. The JBC concurred and funded all three COP payments with state funds in the FY 2022-23 Long Bill. This year, OSPB has again recommended the COP payments for funding, with FLC's portion funded with state funds, and CSU's and CU's portion funded through each university's cash reserves.

PROJECT DESCRIPTION / SCOPE OF WORK

The Department of Higher Education is requesting a combination of state funds and cash funds spending authority to make an annual lease payment for the COPs issued to finance the completion of three higher education continuation projects. The COPs were issued pursuant to Senate Bill 20-219, which authorized the Treasurer's Office to enter into a lease-purchase agreement of up to \$65.5 million to finance the completion of three higher education continuation projects, as follows:

- The second and final phase of the FLC Health Sciences Center project. The project renovates 6,800 GSF within Whalen Gymnasium and constructs a 45,043-GSF expansion to the south and east of the building for use by the Exercise Science Program. Coupled with a companion project to renovate and expand other portions of the gymnasium, the college says the project will create a single facility to serve as home for two departments that share an emphasis on organized physical activity as a basis for study, competition, research, and exploration.
- The third and final phase of the CU Anschutz Health Sciences Building project. The project constructs a ten-story, 390,914-GSF building on the Anschutz Medical Campus to house the Colorado Center for Personalized Medicine, a new data center, the Colorado Clinical and Translational Sciences Institute, the Simulation Educational HUB, office space, and other education, research, and clinical space for the School of Medicine, the Colorado School of Public Health, and the University of Colorado Hospital.
- The third and final phase of the CSU Shepardson Building Renovation and Addition project. The project renovates the existing 46,800-GSF Shepardson Building, which houses the Departments of Horticulture and Landscape Architecture, and constructs additions to the north and south of the building totaling 47,998 GSF. The university says current demand for the programs housed in the Shepardson Building is not being met due to space limitations and outdated facilities.

The request seeks state funds for the FLC portion of the COP payment, and cash funds spending authority for the CU and CSU portions. This request makes the lease payment for FY 2023-24. The payments will continue through 2042.

PROJECT JUSTIFICATION

Failure to fund the request will result in the state defaulting on its lease-purchase agreement, which may result in ownership of the affected facilities reverting to investors.

PROGRAM INFORMATION

For the educational programs impacted by the COP issuance, see Project Description/Scope of Work.

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PROJECT SCHEDULE

| | Start Date | Completion Date |
|--------------|------------|-----------------|
| Design | | |
| Construction | | |
| Equipment | | |
| Occupancy | | |

SOURCE OF CASH FUNDS

The source of cash funds for the request is CU and CSU institutional reserves.

OPERATING BUDGET

Operating expenses are paid from institutional resources. All three institutions will see increases in operating expenses resulting from increased square footage.

STAFF QUESTIONS AND ISSUES

None.