

TOPIC: RECOMMEND FUNDING PRIORITIES FOR FEDERAL MINERAL LEASE DOLLARS

PREPARED BY: DANIEL KRUG, DIRECTOR OF CAPITAL ASSETS AND COMPLIANCE

I. SUMMARY

This item, approved by the Commission's Capital Assets Sub-Committee, responds to a request for opinion from the General Assembly's Capital Development Committee. The Sub-Committee recommends that the Commission endorse the use of unspent Federal Mineral Lease funds in a phased approach on the remaining projects from HJR08-1042.

II. BACKGROUND

In 2008 the State of Colorado arranged for \$230,845,000 for capital projects at institutions of higher education through Federal Mineral Lease (FML) revenues in conjunction with Certificates of Participation (COP). The Commission adopted a draft priority list for the funds in April 2008 and submitted it to the General Assembly. In HJR08-1042 the General Assembly identified and prioritized 17 projects that would be funded through the FML COP issuance.

There were insufficient funds, however, from the 2008 COP issuance to provide full funding for all 17 projects. As a result, only projects listed as #1-11 and #13 received funding. As the funded projects approach completion, several have remaining unspent funds, typically in instances where actual costs came in lower than budgeted. The exact amount is not yet known but is projected to be in the \$5-7 million range.

The Attorney General's Office has determined that unfunded FML projects from HJR08-1042 would be prioritized for FY2009-10 and that any remaining unfunded projects in subsequent years would require additional legislative action to direct the funds.

III. STAFF ANALYSIS

CDC position:

The General Assembly's Capital Development Committee (CDC) has not yet taken action or a position on how to best utilize the unspent funds. On March 22nd the CDC postponed action until the April 5th meeting and has asked that the Department relay the Commission's position regarding the use of the funds at that time.

Three options:

At a March 22, 2012, meeting, representatives from the Office of the State Treasurer, Office of

State Planning and Budgeting, and the Department of Higher Education presented three possible options for the CDC. In no specific order, the options were as follows:

Option 1 – The Commission encourage the CDC to not take immediate action with the remaining funds and wait until a future time.

Option 2 – The Commission encourage the CDC to direct the funds to principal debt and thereby reduce the annual payment.

Option 3 – The Commission encourage the CDC to direct the funds to a new project, and provide an updated priority list.

Sub-Committee discussion:

On March 26, 2012, all four members of the Commission’s Capital Assets Sub-Committee received a briefing document on the issue and met via teleconference. During the meeting the sub-committee discussed the advantages and disadvantages of each option before recommending option 3.

IV. SUB-COMMITTEE RECOMMENDATION

That the Commission endorse the use of remaining unspent Federal Mineral Lease dollars to fund the first phase of the Richardson Hall Renovation project at Adams State College.

That the Commission further endorse the use of future Federal Mineral Lease revenues (not required for annual debt service payments) to be used on projects identified below, and that the Capital Development Committee allow projects to be phased so that they may commence in a timely manner and comply with the prioritization list.

Priority	Inst	Project Name		Total
1	ASC	Richardson Hall Life Safety Renovation	CCF	\$20,137,369
			CF	\$778,000
			TF	\$20,915,369
2	FLC	Berndt Hall Reconstruction Geosciences/Physics/Engineering	CCF	\$26,995,863
			CF	\$4,231,974
			TF	\$31,227,837
3	NJC	ES French Hall Renovations	CCF	\$13,128,000
			CF	\$0
			TF	\$13,128,000
			TF	\$25,779,268
4	CSU	Chemistry Addition	CCF	\$44,600,000
			CF	\$5,400,000
			TF	\$50,000,000

V. STATUTORY AUTHORITY

C.R.S. 23-1-106.3