

- Nearly \$77 million in tax-exempt revenue bonds were approved in FY 2003 for projects at eight of Ohio's private institutions.
- Cedarville University is now eligible to receive bonds issued by the HEFC.

Higher Educational Facility Commission, Ohio

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ROLE

The Higher Educational Facility Commission was established in 1968 to help Ohio's approximately 55 eligible independent non-profit colleges and universities obtain construction capital at lower costs than might otherwise be available to them. The Commission is comprised of nine members, including the Chancellor of the Board of Regents, who serves permanently, and eight others who are appointed by the Governor and serve eight-year terms.

The Commission assists the independent institutions by issuing revenue bonds to finance the acquisition, construction, and renovation of their facilities. Although the bonds are state bonds, the institutions that are issued the bonds make all of the principal and interest payments. The state disclaims any liability in case of default. Default is the responsibility of the institutions, on whose behalf the bonds are issued. The Commission in each case enters into an agreement under which the university or college leases the constructed facility from the Commission and pays rent to the Commission in amounts needed to retire the bonds.

Since the Commission is an agency of the state of Ohio, the interest paid by the Commission to the bondholders is exempt from state and federal income tax. Accordingly, the bonds can be issued at lower interest rates, effectively enabling the Commission to charge the institutions capital financing rates that are lower than commercial market rates. According to estimates, the savings in bond interest costs range up to 2% per year. In FY 2003, the Commission approved \$76,750,000 in bonds that supported projects at eight different private institutions.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
N/A	\$15,000	\$17,000	\$0	\$0	Am. Sub. H.B. 95

*The Higher Educational Facilities Commission has no offices or staff. The staff of the Board of Regents and bond counsel perform the Commission's financing and administrative functions.

OVERVIEW

Although the Commission is a state agency with general administrative powers, it has been able to operate without a separate staff or permanent office. Instead, the Commission has elected to rely upon bond counsel and the support of the Board of Regents, whose staff provides the day-to-day administration of the Commission. These services include accounting and record keeping, scheduling and coordinating commission meetings, reviewing project applications, and preparing the Commission's annual report. Furthermore, the Commission members receive no compensation for their services. Thus, the Commission has almost no operating costs and does not have a General Revenue Fund budget.

The Commission does reimburse the Board of Regents for the costs of the services provided to the Commission by the Regents' administrative staff, including part of the staff salaries. The revenues to support the reimbursement are obtained from fees charged to the colleges and universities for the issuance of the bonds. A \$500 fee is paid to the Commission upon application for a capital loan, and once the bonds are issued, a fee equal to 0.02% of the principal is paid to the Commission. In no case will the total amount of fees paid by an institution be less than \$1,000, nor more than \$3,000.

The budget allows revenue bonds issued by the Commission to be used to pay for project costs related to facilities used for sectarian study or instruction, or religious worship, but not for facilities used exclusively for devotional activities. While maintaining the current law requirement that a participating institution must admit students without discrimination by reason of race, creed, color, or national origin, the budget states that such a requirement does not prohibit an institution from requesting that its applicants demonstrate beliefs or principles consistent with the mission of the institution. These changes make Cedarville University eligible for bonds issued through the Commission. 

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

<i>Line Item Detail by Agency</i>	<i>FY 2001:</i>	<i>FY 2002:</i>	<i>FY 2003:</i>	<i>FY 2004 Appropriations:</i>	<i>% Change 2003 to 2004:</i>	<i>FY 2005 Appropriations:</i>	<i>% Change 2004 to 2005:</i>
Report For: Main Operating Appropriations Bill		Version: Enacted					
HEF Higher Educational Facility Commission, Ohio							
461 372-601 Operating Expenses	\$ 8,310	\$ 9,196	\$9,567	\$ 15,290	59.82%	\$ 16,819	10.00%
Agency Fund Group Total	\$ 8,310	\$ 9,196	\$ 9,567	\$ 15,290	59.82%	\$ 16,819	10.00%
Higher Educational Facility Commission, Ohio Total	\$ 8,310	\$ 9,196	\$ 9,567	\$ 15,290	59.82%	\$ 16,819	10.00%