- Annual budget appropriation increases slightly to $13,000+ in each fiscal year
- Existing operations continue
- Current fee structure is maintained
- Almost $200 million issued in FY 2001

Ohio Higher Educational Facility Commission

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ROLE

The Higher Educational Facility Commission (HEFC) was established in 1968 to help Ohio's independent colleges and universities obtain construction capital at lower costs than might otherwise be available to them.

The commission assists these institutions by financing the construction of their facilities with capital that it has raised through revenue bond issues. 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 federal income tax. This tax-free nature of the bonds enables the commission to charge lower financing costs to the institution for the construction of the facilities. The commission indicates that, by these means, it can help sustain the independent colleges and universities at no cost to the state.

The commission is governed by a board of nine members, of whom eight are appointed by the governor and serve eight-year terms. The ninth member is the chancellor of the Board of Regents, who serves permanently. The commission meets on the fourth Wednesday of each month except July and December; at these meetings the applications of the individual independent institutions are submitted for approval.

Although the commission is a state agency with general administrative powers, it has no offices or staff. Its administrative duties are performed by the staff of the Board of Regents, which is reimbursed for travel and other administrative expenses. The Regents' budget itself contains a line item for such reimbursements; its appropriation is normally for the same amount as the HEFC appropriation.

Since 1991 the commission has upon occasion grouped several of the institutions' smaller projects into a pooled bond issue, for administrative convenience. As there is no other difference from the other issues, the amount of capital raised in such issues is routinely included in the reported amount of approved bond issues outstanding.

A table of the amounts of bonds issued in recent years is provided in the next section (Overview).

Agency In Brief

Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2002	2003	2002	2003	
0	$13,000	$14,000	$0	$0	Am. Sub. H.B. 94

OVERVIEW

BUDGET BACKGROUND

The commission's budget has only one line item, ALI 372-601, Operating Expenses, funded by the Agency Fund Group fund 461. The line item's total appropriations for the fiscal years 2000 and 2001 are $13,080 and $13,900, respectively, divided approximately equally between two object classes: personal services and maintenance. This amount of funding will enable the commission to continue its current level of operations. No GRF funds are used.

The appropriated funds for the most part, are paid to the Board of Regents to defray the commission's administrative and meeting expenses, the costs of records storage, and part of the staff salaries of the BOR personnel who handle the commission's affairs.

To cover these expenditures, the commission obtains revenues from the application fees it charges the institutions that apply to the commission for construction financing. The current fee structure consists of a flat $500 application fee and .02 percent of the amount of the bond issuance; this formula is subject to a minimum total fee amount of $1,000 and a maximum amount of $3,000. The commission also receives a small percentage of the bond amounts.

ISSUANCE OF BONDS

In recent years the commission has seen increased bonding activity by the independent colleges and universities, mostly to take advantage of the decline in long-term interest rates in order to either finance new construction or refinance existing debt. Most of the bonds are issued with maturities of between 15 and 30 years, with the majority in the 20- to 25-year range. As of the end of FY 2001, the amount of total debt outstanding was $1.131 billion. A summary of the past five fiscal years' issuance activity is as follows.

Fiscal year	Number of issues	Total bond amount issued
1995	5	$37,915,000
1996	2	10,420,000
1997	8	167,870,000
1998	6	130,508,449
1999	10	199,584,871
2000	6	156,470,000
2001	7	192,545,000
7 years' total	**44**	**$895,313,320**
Bonds outstanding, EOFY 2001		**$1,131,448,706**

FY 2002 - 2003 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
HEF	***Higher Educational Facility Commission, Ohio***								
461	372-601	Operating Expenses	$ 2,744	$ 2,982	$8,310	$ 13,080	57.40%	$ 13,900	6.27%
Agency Fund Group Total			**$ 2,744**	**$ 2,982**	**$ 8,310**	**$ 13,080**	**57.40%**	**$ 13,900**	**6.27%**
Higher Educational Facility Commission, Ohio Total			***$ 2,744***	***$ 2,982***	***$ 8,310***	***$ 13,080***	***57.40%***	***$ 13,900***	***6.27%***