

# Higher Educational Facility Commission

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- Funding for each fiscal year is 14.9% above FY 2005
- Additional funding is also provided for the Board of Regents to hire one staff person to manage the administrative duties of the Commission

## OVERVIEW

### Duties and Responsibilities

The Higher Educational Facility Commission was established in 1968 to help Ohio's approximately 55 eligible independent nonprofit institutions of higher education 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. Its activities are governed by Chapter 3377. of the Revised Code. The members of the Commission receive no compensation for their services, but are reimbursed for their actual expenses related to the Commission's official business.

The Commission assists the institutions by issuing revenue bonds to finance the acquisition, construction, and renovation of their facilities. Although the bonds are state bonds, the institutions for which the bonds are issued make all of the principal and interest payments, and 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 institution leases the constructed facility from the Commission and pays rent to the Commission in amounts needed to retire the bonds. As a result, the interest paid by the Commission to the bondholders is exempt from state and federal income taxes. 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. Currently, this savings is estimated at approximately two percentage points.

### Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
0	\$16,819	\$16,819	\$0	\$0	Am. Sub. H.B. 66

\*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

## ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Higher Educational Facility Commission is considered a single program series agency and its activities are not subdivided into separate programs.

### Program Series 1

### Program Management

**Purpose:** To administer the program that assists Ohio's independent institutions of higher education in acquiring tax exempt financing for the construction of education facilities.

The following table shows the line item that is used to fund the Commission's operations, as well as the enacted budget's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
<b>Agency Fund Group</b>				
AGY: 461	372-601	Operating Expenses	\$16,819	\$16,819
<b>Agency Fund Group Subtotal</b>			\$16,819	\$16,819
<b>Total Funding: Higher Educational Facility Commission</b>			<b>\$16,819</b>	<b>\$16,819</b>

### Program Management

The only program of the Commission is Program Management. For FY 2006 and FY 2007, the enacted budget appropriates \$16,819 in each fiscal year, which is an increase of 14.9% over the actual expenditures for FY 2005. The appropriations will be used to reimburse the actual expenses incurred by the members of the Commission, including personal travel, parking, lunches, and incidental state fees. The appropriations will also be used to reimburse the administrative and staffing costs incurred by the Board of Regents.

The Commission receives no General Revenue Fund money, and is supported entirely by fee revenue. The revenues to support the Commission are obtained from fees charged to the institutions 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 is the total amount of fees paid less than \$1,000, or greater than \$3,000. The fee structure has remained unchanged since 1991. The Commission indicates that, by this method it can help sustain the institutions at no cost to the state.

A 2004 audit conducted by the Auditor of State has recommended that the Board of Regents employ and maintain one staff person to manage the administrative duties of the Commission. A provision in the Board of Regents section of the enacted budget authorizes a transfer of up to \$55,000 in each fiscal year from the Commission's agency fund (Fund 461) to the HEFC Administration Fund (Fund 4E8), which is a state special revenue fund within the Board of Regents. These funds will be used to hire a staff person to manage the administrative duties of the Commission.