

Higher Educational Facility Commission

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- A continuation budget
- Non-GRF agency; funding is entirely provided by fee revenue
- Funding is provided to reimburse the Board of Regents for the costs of administrative support

OVERVIEW

Duties and Responsibilities

The Higher Educational Facility Commission was established in 1968 to help independent nonprofit colleges and universities obtain construction capital at lower costs than otherwise might be available to them. Sub. H.B. 239 of the 125th General Assembly (effective April 29, 2005) included nonprofit hospitals and health care systems among the entities that are eligible for receiving assistance from the Commission. 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 members of the Commission are not compensated for their services, but are reimbursed for their actual expenses related to the Commission's official business.

By issuing tax-exempt bonds, the Commission assists eligible independent nonprofit colleges and universities as well as nonprofit hospitals and health care systems in financing the construction, renovation, and rehabilitation of their educational and medical facilities. Because it is an agency of the state of Ohio, interests paid by the Commission to the bondholders are 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 and hospitals capital financing rates that are lower than commercial market rates. According to estimates from the Commission's bond counsel, the current savings in bond interest and costs is approximately 1.5% to 2.0% per year for colleges and universities and is likely to be more for hospitals and health care systems. The Commission also offers access to lenders that might not otherwise be available to small, independent nonprofit colleges and universities, and allows for 100% financing of projects.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations - All Funds		GRF Appropriations		Appropriation Bill(s)
	2008	2009	2008	2009	
0	\$16,819	\$16,819	\$0	\$0	Am. Sub. H.B. 119

* The Commission is supported by the staff of the Board of Regents.

As seen from the table above, the Commission receives no General Revenue Fund money; its operations are supported entirely by fees charged to institutions and hospitals for the issuance of the bonds. The funding provided in the Commission's budget will be used to reimburse the actual expenses incurred by the members of the Commission including travel, parking, meals, and some other incidental expenses.

In addition, the budget allows a transfer of up to \$50,000 in FY 2008 and up to \$45,000 in FY 2009 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 transferred funds will be used by the Board of Regents to pay for the cost of maintaining one staff person to manage the administrative duties of the Commission. Although the Commission is a state agency with general administrative powers, it operates without separate staff or permanent offices. Instead it has elected to rely upon bond counsel, paid by the entities for which the bonds are issued, and the day-to-day administrative support of the Board of Regents, including accounting and record keeping, scheduling and coordinating Commission meetings and project applications, and preparing the Commission's annual report. The Commission reimburses the Board of Regents for the costs of these services.

Including both the funds provided in the Commission's budget and the authorized fund transfers, the budget provides a total of \$66,819 in FY 2008 and \$61,819 in FY 2009 for the operations of the Commission.

ANALYSIS OF THE BUDGET

Higher Educational Facility Commission

Purpose: To administer the program that assists Ohio's independent nonprofit colleges and universities as well as eligible hospitals and health care systems in acquiring tax-exempt financing for their capital improvement needs.

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

Fund	ALI	Title	FY 2008	FY 2009
Agency Fund Group				
AGY: 461	372-601	Operating Expenses	\$16,819	\$16,819
Agency Fund Group Subtotal			\$16,819	\$16,819
Total Funding: Higher Educational Facility Commission			\$16,819	\$16,819

Program Management

The only program of the Commission is Program Management, which is funded by AGY appropriation item 372-601, Operating Expenses. The budget provides flat funding in FY 2008 and FY 2009 for this item. These funds will be used to reimburse the actual expenses incurred by the members of the Commission, including personal travel, parking, and incidental fees. The Commission usually meets once a month; its members receive no compensation for their services.

Hospital and Health Care System Loans and Implications for the Commission. Issuing bonds to hospitals and health care systems could have a significant impact on the Commission's operations due to the complexity of hospital and health care system financing. In late 2006 the Commission began its first bond issuance process with the University Hospitals Health System, a system of 11 hospitals associated with Case Western University's medical school. In spring 2007, the Commission issued approximately \$442 million in bonds for the University Hospitals Health System. Traditionally hospitals receive bonds from port authorities that generally charge fees higher than those charged by the Commission. The inclusion of nonprofit hospitals and health care systems could amount to significant additions to the Commission's administrative duties. Because these loans tend to be larger and more complex, they may require additional upkeep. The Commission indicates that it may need an additional full-time employee to accommodate a higher workload. The new employee would also be funded through revenues transferred from the Commission's Agency Fund (Fund 461) to the HEFC Administration Fund (Fund 4E8) of the Board of Regents. The Commission is in the process of changing the existing fee structure, which has remained unchanged since 1991. Currently, 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 also paid. In no case is the total amount of fees paid for a loan less than \$1,000 or greater than \$3,000. The new fee structure is likely to include a \$500 fee upon application and a fee equal to 0.01% of the principal upon bond issuance with a minimum of \$3,000 and a maximum of \$25,000 in total fees.

FY 2008 - 2009 Final Appropriation Amounts

All Fund Groups

<i>Line Item Detail by Agency</i>	<i>FY 2005:</i>	<i>FY 2006:</i>	<i>FY 2007 Adj. Appropriations:</i>	<i>FY 2008 Appropriations:</i>	<i>% Change 2007 to 2008:</i>	<i>FY 2009 Appropriations:</i>	<i>% Change 2008 to 2009:</i>	
Report For: Main Operating Appropriations Bill		Version: Enacted						
HEF Higher Educational Facility Commission, Ohio								
461 372-601 Operating Expenses	\$ 14,641	\$ 14,846	\$ 16,819	\$ 16,819	0.00%	\$ 16,819	0.00%	
Agency Fund Group Total	\$ 14,641	\$ 14,846	\$ 16,819	\$ 16,819	0.00%	\$ 16,819	0.00%	
Higher Educational Facility Commission, Ohio Total	\$ 14,641	\$ 14,846	\$ 16,819	\$ 16,819	0.00%	\$ 16,819	0.00%	