

# **HISTORICALLY BLACK COLLEGE AND UNIVERSITY CAPITAL FINANCING ADVISORY BOARD**

## **Executive Director's Report Advisory Board Meeting December 2, 2017**

Madam Chair and members of the Board, I am pleased to present my report on the Historically Black College and University (HBCU) Capital Financing Program.

### **BARBER SCOTIA UPDATE**

The Designated Bonding Authority (DBA) released a Request for Information (RFI) for Barber Scotia College in November 2017, and responses are due by December 20, 2017. An RFI is a document that will give the DBA an idea of what interested potential developers or other purchasers may have in the campus or buildings on the campus. To date, there has been one visit from a developer and two more are scheduled including a possible partnership with Barber Scotia.

Barber Scotia, located in Concord, North Carolina, received a HBCU Capital Financing Program loan for \$7 million on December 6, 2000. In 2004, Barber Scotia lost its accreditation with the Southern Association of Colleges and Schools, making the institution ineligible for Federal Student Aid under HEA, Title IV, which affected over 90 percent of Barber Scotia's students. The resulting drop in enrollment left Barber Scotia unable to repay its HBCU Capital Financing Program loan. Since September 2005, Barber Scotia's bond payments have been made using funds deposited in the escrow account by other Program participants. The current outstanding principal balance is about \$4.7 million. However, the balance is much larger when factoring the repayment of other borrowers, which to date is \$6.4 million (\$257,328 x 25).

### **A-123 RISK ASSESSMENT and RESPONSE**

The HBCU Capital Financing Program responded to the Department's Risk Management Group's questionnaire for the Office of Management and Budget Circular A. The questionnaire determines if further testing or investigation is required. The topics include People, Finance, Process, Compliance, Fraud Risk, and Information Technology and must be viewed as the likelihood of the probability of the risk occurring, or in some cases the frequency as well as the impact is the magnitude of the result of the risk occurring. Each category is assessed as unlikely to occur with low impact.

### **GOVERNMENT ACCOUNTABILITY OFFICE**

House Education and the Workforce Committee Ranking Member Bobby Scott (VA-03), Senate Health, Education, Labor and Pensions Committee Ranking Member Patty Murray (D-WA), Senator Bob Casey, Jr. (D-PA) and Congressional Black Caucus Chairman G.K. Butterfield (NC-01) wrote a letter to the Government Accountability Office (GAO) urging them to

investigate any barriers that might be facing Historically Black Colleges and Universities (HBCUs) when financing capital projects. GAO was asked to examine:

- What is known about the capital project needs of HBCUs and what challenges do they face accessing and securing funding to complete those projects?
- To what extent are HBCUs using the Strengthening HBCU Program and the HBCU Capital Financing Program and what barriers, if any, do HBCUs face utilizing these programs?
- What steps, if any, can the federal government take to better ensure HBCUs have access to funding for capital projects?

Since January 2017, I have been engaging in conversations and providing GAO with information about the program.

**PROGRAM ACTIVITIES**

Scheduling of loan closings is based on approval of an Administration budget and apportionment by the Office of Management and Budget.

Here are some of the Program's activities:

	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY 2016</b>	<b>FY2017</b>
<b>Number of Schools</b>	7 (6 private, 1 public)	5 (4 private, 1 public)	6 (4 private, 2 public)	3 (1 private, 2 public)	3 (2 private, 1 public)
	<b>(in millions)</b>				
<b>Amount Available</b>	\$303.0	\$303.0	\$303.0	\$279.0	\$282.0
<b>Amount Funded</b>	\$203.5	\$94.2	\$213.1	\$161.6	\$68.0

Annual loan capacity for FY 2013 was \$303 million. In this regard, the following institutions received loans: Central State University, Clark Atlanta University, Philander Smith College, Hampton University, Morehouse College, Benedict College, and Claflin University.

Annual loan capacity for FY 2014 was \$303 million. In this regard funds were provided to St. Augustine’s University, Grambling State University, Voorhees College, Texas College, and Johnson C. Smith University.

Annual loan capacity for FY 2015 was \$303 million. These funds were provided to Arkansas Baptist College, University of the Virgin Islands, T.A. Lawson State Community College, Philander Smith College, Arkansas Baptist College, and Livingstone College.

Annual loan capacity for FY 2016 was \$303 million. These funds were provided to Jarvis Christian College, Grambling State University, and South Carolina State University.

Annual loan capacity for FY 2017 was \$303 million. These funds have been provided to Morehouse School of Medicine, Tuskegee University, and Southern University at Shreveport.

The Program has 6 active construction projects at the following: Alabama A&M University, Livingstone College, Jarvis Christina College, Grambling State University, Lawson State Community College, and University of the Virgin Islands.

For FY 2018, 11 additional institutions have expressed verbal interest in borrowing through the Program. Of the 11 institutions, six are public and five are private institutions. At this date, all institutions appear to have eligible projects and meet other conditions to close a loan through the Program. However, a financial analysis has not been performed to see if the institution can support its request loan amount. These HBCUs would be requesting loan amounts that range between \$20 million and \$120 million. The Administration's FY 2018 Budget request currently supports \$313 million in loans.

## **PORTFOLIO**

The loan portfolio to date consists of—

- \$2.03 billion originated (\$622 million public HBCUs and \$1.411 billion private HBCUs)
- \$1.87 billion active loans in repayment or construction stage (\$542 million public HBCUs and \$1.33 billion private HBCUs)
- 43 HBCUs (7 public HBCUs and 36 private HBCUs)

Other portfolio numbers include—

- 56 loans are in active repayment (12 public and 44 private)
- 2 HBCUs have defaulted on loans
- 7 HBCUs repaid or refinanced their Cap Financing Program loans
- \$8 million to \$165 million is the loan range
- 6 active construction projects