Department of Education

HISTORICALLY BLACK COLLEGE AND UNIVERSITY

CAPITAL FINANCING PROGRAM ACCOUNT

Fiscal Year 2022 Budget Request

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For the cost of guaranteed loans, [$22,150,000] $20,150,000, as authorized pursuant to part D of title III of the HEA, which shall remain available through September 30, [2022] 2023:[1] Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974:[2] Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed [$278,266,000] $274,149,000: [3] Provided further, That these funds may be used to support loans to public and private Historically Black Colleges and Universities without regard to the limitations within section 344(a) of the HEA.[4]

[In addition, $16,000,000, to remain available through September 30, 2022, shall be made available to provide for the deferment of loans made under part D of title III of the HEA to eligible institutions that are private Historically Black Colleges and Universities, which apply for the deferment of such a loan and demonstrate financial need for such deferment by having a score of 2.6 or less on the Department of Education's financial responsibility test: Provided, That the loan has not been paid in full and is not paid in full during the period of deferment: Provided further, That during the period of deferment of such a loan, interest on the loan will not

accrue or be capitalized, and the period of deferment shall be for at least a period of 3-fiscal years and not more than 6-fiscal years: Provided further, That funds available under this paragraph shall be used to fund eligible deferment requests submitted for this purpose in fiscal year 2018: Provided further, That the Secretary shall create and execute an outreach plan to work with States and the Capital Financing Advisory Board to improve outreach to States and help additional public Historically Black Colleges and Universities participate in the program.]

[In addition, $10,000,000, to remain available through September 30, 2022, shall be made available to provide for the deferment of loans made under part D of title III of the HEA to eligible institutions that are public Historically Black Colleges and Universities, which apply for the deferment of such a loan and demonstrate financial need for such deferment, which shall be determined by the Secretary of Education based on factors including, but not limited to, equal to or greater than 5 percent of the school's operating revenue relative to its annual debt service payment: Provided, That during the period of deferment of such a loan, interest on the loan will not accrue or be capitalized, and the period of deferment shall be for at least a period of 3-fiscal years and not more than 6-fiscal years.]

In addition, for administrative expenses to carry out the Historically Black College and University Capital Financing Program entered into pursuant to part D of title III of the HEA, $334,000.[5] (Department of Education Appropriations Act, 2021.)

NOTE

Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document which follows the appropriations language.

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Analysis of Language Provisions and Changes

Language Provision	Explanation
[1] For the cost of guaranteed loans, [$22,150,000] $20,150,000, as authorized pursuant to part D of title III of the Higher Education Act of 1965 (HEA), which shall remain available through September 30, [2022] <u>2023</u>:	In accordance with the Federal Credit Reform Act of 1990, the requested language appropriates $20.150 million in subsidy for new loans to be made under the HBCU Capital Financing program. This amount will be available for obligation for 2 fiscal years. No loans may be insured under the program that would require subsidy above this amount.
[2] *Provided,* That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974:	This requested language specifies that any program costs or cost modifications shall comply with the definitions that are provided in Section 502 of the stated Act.
[3] *Provided further*, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed [$278,266,000] $274,149,000:[3]	The requested language limits the amount of bonds that may be insured under the HBCU Capital Financing program to $274 million in fiscal year 2022. This is a decrease of $4.1 million over 2021.
[4] *Provided further*, That these funds may be used to support loans to public and private historically Black colleges and universities without regard to the limitations within section 344(a) of the HEA.	The requested language allows the program to make loans in fiscal year 2021 without regard to the language in HEA section 344(a) that sets limits on the amount of the program's loan authority that can be devoted to private versus public HBCUs.
[5] In addition, for administrative expenses to carry out the Historically Black College and University Capital Financing Program entered into pursuant to part D of title III of the HEA, $334,000.	In accordance with the Federal Credit Reform Act of 1990, this language appropriates funds to administer new loans, service existing loan obligations, and provide technical assistance to prospective and existing program participants.

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Appropriation, Adjustments, and Transfers
(dollars in thousands)

Appropriation/Adjustments/Transfers	2020	2021[1]	2022
Discretionary:			
Appropriation	$46,150	$48,150	$20,150
Mandatory:			
Modification of existing loan subsidies	0	1,564,050	0
Reestimate of existing loan subsidies	-41,708	-100,194	0
Total, discretionary and mandatory appropriation	4,442	1,512,005	20,150

[1] The 2021 level for HBCU Capital Financing includes $26 million in discretionary funding to support deferments and $1.56 billion in mandatory funding to support debt discharges from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (P.L. 116-260).

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Obligations by Object Classification
(dollars in thousands)

	Object Class	2020 Actual	2021 Appropriation	2022 Request	Change from 2021 to 2022
11.10	Full-time permanent	$184	$149	$184	+$35
11.31	Full-time temporary	3	0	0	0
11.52	Awards	3	3	3	0
	Compensation subtotal	190	152	187	+35
12.00	Benefits	61	54	70	+16
	Comp/benefits subtotal	251	206	257	+51
21.00	Travel	3	15	11	-4
23.10	Rental payments to GSA	6	8	8	0
	Subtotal Travel/Rent	9	23	19	-4
25.21	Other services	0	64	4	-60
25.22	Training/tuition contracts	0	4	4	0
25.30	Goods/services from Federal sources	1	2	3	+1
25.72	IT services/contracts	45	35	47	+12
	Subtotal 25	46	105	58	-47
26.00	Supplies	0	0	0	0
	Total, Budget Authority	306	334	334	0

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Authorizing Legislation

(dollars in thousands)

Activity	2021 Authorized	2021 Estimate	2022 Authorized	2022 Request
Federal administration (Federal Credit Reform Act of 1990, Section 505(e) and HEA Title III, Part D)	Indefinite	$334	To be determined	$334
Loan subsidy (Federal Credit Reform Act of 1990, Section 505(e), and HEA Title III, Part D)	Indefinite	48,150	To be determined	20,150
Loan modification (Federal Credit Reform Act of 1990, Section 505(e), and HEA Title III, Part D)	Indefinite	1,564,050[1]	To be determined	0
Reestimate of existing loan subsidies (Federal Credit Reform Act of 1990, Section 504(f))	Indefinite	-100,194[2]	To be determined	0
Total discretionary appropriation		48,484		20,484
Total mandatory appropriation		1,463,856		0

[1] Reflects costs related to debt discharges.

[2] The 2021 reestimate of existing loans excludes budgetary interest adjustments.

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Appropriations History

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2013	$20,502	$19,430[1]	$19,430[1]	$19,430
2014	20,502	N/A[2]	20,484[3]	19,430
2015	19,430	N/A[2]	20,444	19,430
2016	19,436	19,096[4]	19,096[4]	20,150
2017	20,112	20,112[5]	20,112[5]	20,112[5]
2018	20,150	30,150[6]	30,150[6]	30,150[6]
2019	40,150	40,150[7]	40,150[7]	40,150[7]
2020	40,150	50,484	40,150[8]	46,150[8]
2021	40,150	48,150	48,150[9]	48,150[9]
2022	20,150			

[1] The level for the House and Senate allowances reflect action on the regular annual 2013 appropriations bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.
[2] The House allowance is shown as N/A because there was no Subcommittee action.
[3] The level for the Senate allowance reflects Senate Subcommittee action only.
[4] The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations.
[5] The levels for House and Senate allowances reflect action on the regular annual 2017 appropriations; the Appropriation reflects the Consolidated Appropriations Act, 2017.
[6] The 2018 amount reflects an additional $10 million for outstanding loan deferments that is expected to be appropriated for at least three fiscal years.
[7] The levels for the House and Senate Allowance reflects Committee action on the regular annual 2019 appropriations bill; the Appropriation reflects enactment of the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 (P.L. 115-245).
[8] The Senate allowance reflects the Chairman’s mark; the Appropriation reflects the Further Consolidated Appropriation Act, 2020 (P.L. 116-94).
[9] The Senate allowance reflects the Chairman’s mark; the Appropriation reflects Division H of the Consolidated Appropriations Act, 2021 (P.L. 116-260).

Federal Administration

(Federal Credit Reform Act of 1990, Section 505(e) and the Higher Education Act of 1965, Title III, Part D)

(dollars in thousands)

FY 2022 Authorization: To be determined[1]

Budget Authority:

	2021 Appropriation	2022 Request	Change from 2021 to 2022
Federal Administration	$334	$334	$0
Loan subsidy costs	48,150	20,150	-28,000
Total	48,484	20,484	-28,000
Full-time equivalent employee	2	2	0

[1] The GEPA extension of the Higher Education Act expired September 30, 2015; reauthorizing legislation is sought for FY 2022.

PROGRAM DESCRIPTION

Since fiscal year 1996, the Historically Black Colleges and Universities Capital Financing Program has provided Historically Black Colleges and Universities (HBCUs) with access to capital financing for the repair, renovation, and, in exceptional circumstances, construction or acquisition of educational facilities, instructional equipment, research instrumentation, and physical infrastructure. HBCUs, which have played a prominent role in our Nation's history, have significant needs for capital improvements. However, in most cases these institutions cannot access traditional funding sources at reasonable interest rates. The HBCU Capital Financing Program provides HBCUs with access to low-cost financing to fund infrastructure improvements. This program has made low-interest loans available for capital improvements to some of the Nation's most vulnerable institutions of higher education. These loans have allowed these institutions to make improvements to their capital stock, especially academic facilities and student living quarters. In order to limit the Federal Government's exposure to incurring losses due to defaults and delinquencies, 5 percent of all loans are deposited in a pooled escrow account from which loan payments can be made in the event of defaults or delinquencies.

The HBCU Capital Financing Advisory Board, appointed by the Secretary, advises the Secretary and the Designated Bonding Authority (DBA) as to the most effective and efficient means of implementing the program. The DBA, also selected by the Secretary, assists with the operation of the HBCU Capital Financing Program, which includes raising bond capital, making loans to eligible institutions, charging interest, and providing for a schedule of repayments. Direct loans are financed through the Federal Financing Bank, and guaranteed loans are

financed through the private market, with all loan payments fully insured by the Federal Government.

Debt Discharges

The FAFSA Simplification Act, which was included in the Consolidated Appropriations Act, 2021, signed into law in December 2020, provided authority and funding to discharge debts under the HBCU Capital Financing Program. The Department discharged approximately $1.6 billion of debt provided to participating institutions. This action provided debt relief to 45 HBCUs – 13 public institutions and 32 private institutions. Discharging these debts helped enable recipient institutions to focus their resources on supporting students, faculty, and staff for the duration of the COVID-19 national emergency.

Federal Administration

Funds for this activity pay the Federal costs for administering the HBCU Capital Financing Program. The administrative costs for this program include the personnel compensation and benefits for 2 full-time equivalent (FTE) employees, overhead, and other administrative services. The FTE reported in this account reflects the Department's estimate of the staff time devoted to administering the program. This estimate does not include FTEs associated with the Department's centralized services, which are reflected in the Program Administration account. The major non-personnel costs include support for the HBCU Capital Financing Advisory Board and a contract with the DBA to provide technical assistance workshops.

Loan Subsidy Costs

In the first 10 years that the HBCU Capital Financing Program operated, there were no delinquencies or defaults. The rigorous application and credit review process imposed by the Department and DBA was credited with ensuring that recipient institutions receiving loans would be able to comply with the terms of their loans. However, increases in financial instability at certain HBCUs have affected Federal liability in the program, which are reflected in delinquency rate fluctuations and Department estimates.

Discretionary funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2017	$20,112
2018	30,150
2019	40,150
2020	46,150
2021	48,150

FY 2022 BUDGET REQUEST

For fiscal year 2022, the Administration requests $20.5 million for the Historically Black College and University (HBCU) Capital Financing Program account. This amount is $28.0 million less than the fiscal year 2021 appropriation. The Consolidated Appropriations Act, 2021 provided $26 million in funding to support deferments for eligible private and public HBCUs available through the end of fiscal year 2022. Due to debt discharges, approximately $21 million in deferment funding is expected to lapse. The request includes $334,000 for administrative expenses and $20.2 million for new loan subsidy costs.

The fiscal year 2022 request would also lift the restrictions in 20 U.S.C. 1066c(a) which currently prevent Howard University from accessing the HBCU Capital Financing Program. Howard University, similar to all other HBCUs, should have access to low-interest capital financing to address its capital needs. The Administration looks forward to working with Congress to allow Howard University access to the HBCU Capital Financing Program.

The $334,000 requested for administration will also be used to maintain technical assistance services. It is estimated that the requested subsidy amount will be sufficient to guarantee over $240 million in new loans.

PROGRAM OUTPUT MEASURES

(dollars in thousands)

Output Measures	2020	2021	2022
Number of new loans:			
Private HBCUs	4	3	3
Public HBCUs	1	3	3
Total	5	6	6
New loan volume:			
Private HBCUs	$210,000	$125,000	$97,191
Public HBCUs	47,000	184,750	143,648
Total	257,500	309,250	240,839
Total number of loans:			
Private HBCUs	54	6	9
Public HBCUs	23	6	9
Total	77	12	18
Total loan awards:			
Private HBCUs	$1,693,644	$427,450	$524,641
Public HBCUs	1,237,979	372,600	516,748
Total	2,931,622	800,050	1,040,889
Total outstanding loan awards:			
Private HBCUs	$947,264	$49,953	$121,411
Public HBCUs	556,003	73,830	179,445
Total	1,503,267	123,783	300,856

PROGRAM PERFORMANCE INFORMATION

Performance measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data. Achievement of program results is based on the cumulative effect of the resources provided in previous years, and those requested in fiscal year 2022 and future years, as well as the resources and efforts invested by those served by this program. The Department will be reviewing GPRA program performance goals, objectives, and measures for the HBCU Capital Financing Program for possible revision in future years to ensure alignment with Administration policy.

Goal: To improve loan recipients' overall financial stability and enhance their ability to attract, retain and educate students.

***Objective**: Total revenues and investment return will increase for loan recipients.*

Measure: The percentage of borrowers who increase revenues and investment return annually.

Year	Target	Actual
2017	70%	75%
2018	70	51
2019	70	47
2020	70	
2021	70	
2022	70	

Additional information: This performance measure is the percentage of HBCUs that experienced an increase in revenue over the prior year. This measure is one gauge of improved institutional financial stability and capability to fulfill their educational mission. Loans that fund capital and infrastructure improvements are key assets for providing quality postsecondary education. Some HBCUs have significant cash flow problems, which capital improvements from this program are expected to help ameliorate. Revenue is a strong indicator of an institution's success at maintaining or increasing enrollment, expanding fundraising activities, and, ultimately, the institution's financial stability. The ability to maintain or increase revenue suggests that an institution will be able to service its debts and maintain its operations. This measure helps to assess the financial solvency of borrowers, which is a gauge of default potential. This measure is calculated as the number of HBCUs in the program that have experienced an increase in revenue over the prior fiscal year, divided by the total number of HBCUs in the program, and multiplied by 100. The data source for total revenues is the National Center for Educational Statistics' (NCES) Integrated Postsecondary Education Data System.

Goal: To improve the capacity of program borrowers to improve student success and provide high-quality educational opportunities for their students.

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Objective: *Maintain or increase the persistence rate of first-year students at borrower institutions.*

Measure: The full-time retention rate is the percent of the fall full-time cohort from the prior year minus exclusions from the fall full-time cohort that re-enrolled at the institution as either full or part-time in the current year.

Year	Target	Actual
2017	71%	57%
2018	71	61
2019	71	61
2020	71	
2021	71	
2022	71	

Additional information: New and improved physical facilities can help an institution of higher education increase student persistence. Many of the loans have provided support for student housing and many of the borrowers have explicitly cited the lack of adequate student housing and facilities as a reason for high attrition rates on their campuses in their loan applications. Historically, the persistence rate at HBCUs receiving loans through the capital finance program is about the same as at HBCUs overall. This measure relies on data maintained by NCES.