Department of Education

HISTORICALLY BLACK COLLEGE AND UNIVERSITY

CAPITAL FINANCING PROGRAM ACCOUNT

Fiscal Year 2024 Budget Request

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HISTORICALLY BLACK COLLEGE AND UNIVERSITY CAPITAL FINANCING PROGRAM ACCOUNT

For the cost of guaranteed loans, $20,150,000, as authorized pursuant to part D of title III of the HEA, which shall remain available through September 30, 2025:[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 $377,340,824: [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, 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, $600,000.[5]

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, $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, 2025:	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 $377,340,824:[3]	The requested language limits the amount of bonds that may be insured under the HBCU Capital Financing program to $377 million in fiscal year 2024. This is a decrease of $375 million over 2023.
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, $600,000.	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	2022	2023	2024
Discretionary:			
Appropriation	$20,150	$20,150	$20,150
Mandatory:			
Modification of existing loan subsidies	0	0	0
Reestimate of existing loan subsidies	38,410	22,990	0
Total, discretionary and mandatory appropriation	40,420	43,140	20,150

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Obligations by Object Classification
(dollars in thousands)

	Object Class	2022 Actual	2023 Base	2024 Request	Change from 2023 to 2024
11.10	Full-time permanent	$184	$314	$361	-$47
11.31	Full-time temporary	0	0	0	0
11.52	Awards	3	3	4	-1
	Compensation subtotal	187	317	365	-48
12.00	Benefits	70	119	129	-10
	Comp/benefits subtotal	257	436	494	-58
21.00	Travel	15	36	40	-4
23.10	Rental payments to GSA	8	9	8	1
	Subtotal Travel/Rent	23	45	48	-3
25.21	Other services	13	5	6	-1
25.22	Training/tuition contracts	4	0	0	0
25.30	Goods/services from Federal sources	2	3	4	-1
25.72	IT services/contracts	35	39	48	-9
	Subtotal 25	54	47	58	-11
26.00	Supplies	0	0	0	0
	Total, Budget Authority	334	528	600	-72

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Authorizing Legislation

(dollars in thousands)

Activity	2023 Authorized	2023 Appropriation	2024 Authorized	2024 Request
Federal administration (Federal Credit Reform Act of 1990, Section 505(e) and HEA Title III, Part D)	Indefinite	$528	To be determined	$600
Loan subsidy (Federal Credit Reform Act of 1990, Section 505(e), and HEA Title III, Part D)	Indefinite	20,150	To be determined	20,150
Loan modification (Federal Credit Reform Act of 1990, Section 505(e), and HEA Title III, Part D)	Indefinite	0	To be determined	0
Reestimate of existing loan subsidies (Federal Credit Reform Act of 1990, Section 504(f))	Indefinite	22,990	To be determined	0
Total discretionary appropriation		20,678		20,750
Total mandatory appropriation		22,990		0

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Appropriations History

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2015	$19,430	N/A[1]	$20,444	$19,430
2016	19,436	$19,096[2]	19,096[2]	20,150
2017	20,112	20,112[3]	20,112[3]	20,112
2018	20,150	30,150[4]	30,150[4]	30,150[4]
2019	40,150	40,150[5]	40,150[5]	40,150[5]
2020	40,150	50,484	40,150[6]	46,150[6]
2021	40,150	48,150	48,150[7]	48,150[7]
2022	20,150	48,150[8]	20,150[8]	22,150[8]
2023	20,150	20,150[9]	20,150[9]	20,150[9]
2024				

[1] The House allowance is shown as N/A because there was no Subcommittee action.
[2] The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations.
[3] The levels for House and Senate allowances reflect action on the regular annual 2017 appropriations; the Appropriation reflects the Consolidated Appropriations Act, 2017.
[4] The 2018 amount reflects an additional $10 million for outstanding loan deferments that is expected to be appropriated for at least three fiscal years.
[5] 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).
[6] The Senate allowance reflects the Chairman's mark; the Appropriation reflects the Further Consolidated Appropriation Act, 2020 (P.L. 116-94).
[7] The Senate allowance reflects the Chairman's mark; the Appropriation reflects Division H of the Consolidated Appropriations Act, 2021 (P.L. 116-260).
[8] The House allowance reflects floor action on the FY 2022 Consolidated Appropriations Act; the Senate allowance reflects the Chairman's mark; and the Appropriation reflects the Consolidated Appropriations Act, 2022 (P.L. 117-103).
[9] The House allowance reflects the regular annual FY 2023 appropriation, which was introduced on the floor; the Senate allowance reflects the Chairman's mark; and the Appropriation reflects the Consolidated Appropriations Act, 2023 (P.L. 117-328)

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 2024 Authorization: To be determined[1]

Budget Authority:

	2023 Appropriation	2024 Request	Change
Federal Administration	$528	$600	+$72
Loan subsidy costs	20,150	20,150	0
Total	20,678	20,750	+72
Full-time equivalent employee	2	2	0

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

[1] The GEPA extension expired September 30, 2015. Reauthorization for FY 2024 is expected through appropriations action.

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)
2019	$40,150
2020	46,150
2021	48,150
2022	20,484
2023	20,678

FY 2024 BUDGET REQUEST

For fiscal year 2024, the Administration requests $20.8 million for the Historically Black College and University (HBCU) Capital Financing Program account, $72 million higher than the fiscal year 2023 appropriation. The request includes $600,000 for administrative expenses and $20.2 million for new loan subsidy costs.

The fiscal year 2024 request continues to 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 $600,000 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 $377 million in new loans.

PROGRAM OUTPUT MEASURES

(dollars in thousands)

Output Measures	2022	2023	2024
Number of new loans:			
Private HBCUs	3	7	4
Public HBCUs	1	1	1
Total	4	8	5
New loan volume:			
Private HBCUs	$50,254	$281,497	$230,375
Public HBCUs	64,831	34,795	86,080
Total	115,085	316,292	316,455
Total number of loans:			
Private HBCUs	11	18	22
Public HBCUs	7	8	9
Total	18	26	31
Total loan awards:			
Private HBCUs	$89,000	$445,500	$219,500
Public HBCUs	96,000	50,000	50,000
Total	185,000	495,500	270,000
Total outstanding loan awards:			
Private HBCUs	$153,983	$389,774	$580,288
Public HBCUs	116,495	145,640	216,827
Total	270,478	535,414	797,115

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 2024 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
2019	70%	47%
2020	70	67
2021	70	93
2022	70	
2023	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.

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

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
2019	71%	61%
2020	71	65
2021	71	72
2022	71	
2023	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.