

Accessing Capital: Mechanisms for Private College Partnerships with the Commonwealth

State Council of Higher Education for Virginia

Private College Advisory Board

May 12, 2025

Agenda

- Importance of Private Colleges to the Commonwealth
- How the Commonwealth and Private Colleges Partner
- Private College Capital Needs
- Existing Legal Mechanisms to Support Private Colleges' Capital Needs
- General Assembly's History of State Support for Private College Capital Needs
- How Other States Provide Public Financial Assistance for Private Colleges' Capital Needs
- Recommendations: How the Commonwealth Can Provide Private Colleges Financial Assistance for Capital Needs

The General Assembly's Budgetary Directive

SCHEV Budget Directive (2024)

- 2024 Special Session I – HB 6001 (Chapter 2); Item 132 (E)
- ... As part of [a six-year capital outlay plan for higher education], SCHEV shall consider (i) current funding mechanisms for capital projects at the Commonwealth's institutions of higher education, including general obligation bonds and other viable funding methods; [and] (ii) mechanisms to assist private institutions of higher education in the Commonwealth with their capital needs.

Private Colleges are Vital to the Commonwealth's Educational Success & Economic Health

Private Colleges: Vital to Virginia Higher Education

- 28 SACSCOC-accredited institutions are members of CICV
- Geographically diverse
 - Many located in areas where no public institutions exist
- More than 97,000 enrolled undergraduates
 - ~ UVA, VT, W&M, GMU, JMU combined
- Nearly 68,000 post-graduate and first-professional students
- Approx. 46% of undergraduates are Pell-eligible
- Approx. \$1 Billion annually in institution-provided financial aid

Private Colleges are Economically Important

- Major employers – especially in small towns, rural counties
 - Southside, Western, Southwest
- 28,000 direct, indirect, and induced jobs
- \$2 B+ in wages, benefits
- \$4.6 B in economic output
- \$157 M in local, state taxes

**Commonwealth of Virginia
and Virginia Private Colleges
Have a Long, Successful Partnership**

State's Primary Support for Virginia's Private Colleges

- Virginia Tuition Assistance Grant to eligible students
 - Since 1972
 - 850,000 grants to ~ 334,000 recipients
 - Today, \$100 M+ annually

**Constitution and Code of Virginia
Permit State Financial
Partnerships and Collaborations
with Virginia's Private Colleges**

State May Contract for Educational Programs, Services

- Va. Constitution Article VIII, § 11 / Va. Code § 23.1-104
 - The Commonwealth and political subdivisions may contract with qualifying private colleges and universities for certain educational and other services
 - programs or courses of study
 - use of professional personnel
 - use of real or personal property
 - conduct study, research or investigations
 - engage in other scientific, technical, humanistic, or related subjects, or to provide public service or student service activities

Virginia's Private Colleges Have Capital Needs

Private Colleges Have Capital Infrastructure Needs

- Private colleges' capital needs are no different than those of public institutions
- Virginia's private colleges
 - Are historic and many range from decades to centuries in age
 - have scores to hundreds of campus academic, research, and support facilities
 - have, collectively, hundreds of millions worth of deferred maintenance needs
 - must continuously improve existing facilities and build new ones – not only to modernize for students' benefit, but to remain competitive in attracting and retaining students
 - must keep up with IT investments and routinely invest in academic and research equipment needs
- Private colleges undertake almost all capital improvements with privately raised funds, debt financing, and/or with tuition dollars

Existing Legal Mechanisms Enabling State Financial Support for Private College Capital Needs

Existing Legal Mechanisms for State Partnerships w/ Private Colleges

- Virginia College Building Authority
 - Conduit financing mechanism
 - Academic facilities, dorms, dining halls, parking, infrastructure, support facilities
- Virginia Small Business Financing Authority
 - Assists small businesses and tax-exempt nonprofits
 - New businesses or expansions, increase employment
- Virginia Resources Authority
 - Economic and Community development; direct lending to local governments; conduit to private colleges
 - Academic facilities, dorms, dining halls, parking, infrastructure, support facilities

The General Assembly Has Considered State Support for Private College Capital Needs

General Assembly's Past Consideration re: Private College Infrastructure Funding Assistance

- HJR 91 (2008)
 - Reviewed VTAG program
 - Evaluated current, future enrollment needs
 - Examined private, nonprofit colleges' ability to meet enrollment projections
 - Reviewed publicly supported programs in other states
 - Examined private colleges' success in education disadvantaged students, made recommendations to further such efforts

General Assembly's Past Consideration re Private College Infrastructure Funding Assistance

- HJR 91 (2008)
 - Recommendations
 - Create a credit enhancement program (modeled after VRA)
 - Allow private, nonprofit institutions to benefit from Commonwealth's credit rating in bond financing
 - Would impose a Moral Obligation on the Commonwealth in case of default
 - Proposed strict criteria for private colleges to be eligible to participate (and to minimize Commonwealth's risk)
 - Continue to increase VTAG
 - Create a competitive incentive grant program (via RFP process) for public and private institutions to address critical workforce shortage areas
 - Create a state loan program for students attending public and private institutions

General Assembly's Past Consideration re Private College Infrastructure Funding Assistance

- HB 1205 (Del. Harvey Morgan); SB 454 (Sen. Frank Ruff) (2010)
 - Virginia College Building Authority; acquire credit enhancements to secure payment of bonds issued
 - Credit enhancements would include
 - Surety bonds
 - Insurance policies
 - Letters of credit
 - Other forms of collateral or security
 - Capital reserve funds
 - 2010 General Assembly continued HB 1205 and SB 454 to 2011, when neither was further considered

What Other States Do to Provide Capital for Private College Needs

How Other States Provide Financial Assistance for Private College Capital Needs

■ North Carolina

- North Carolina Capital Facilities Finance Agency; created in 1986
- Provides tax-exempt financing to private, nonprofit colleges and universities
- Expanded authority in 1998 to include private, nonprofit secondary schools; expanded in 2000 to include other tax-exempt NGOs
- 7-member board, including State Treasurer, State Auditor, and Gubernatorial and Legislative appointees
- Staffed by State Treasurer's office
- FY23 approved \$102.6 M in bonds; since 1986, has issued \$9.68 B in bonds

How Other States Provide Financial Assistance for Private College Capital Needs

■ Maryland

- Maryland Higher Education Facilities Grant Program; established in 1971
- Financial assistance for construction, renovation of academic facilities
- Administered by the Maryland Higher Education Commission
- Project application submitted via the Maryland Independent College & University Association
- Goes through State Budget process; General Assembly may appropriate funds for projects
- Matching funds required
- 2015-2025, approx. \$123 M has been appropriated for 36 projects at 13 private, nonprofit institutions

How Other States Provide Financial Assistance for Private College Capital Needs

■ Pennsylvania

- Pennsylvania Higher Educational Facilities Authority; created in 1967
- Provides tax-exempt financing to public and private colleges and universities
- 9-person board, including Governor, State Treasurer, State Auditor, General Services director, Education secretary, and House and Senate members
- Full-time professional staff; receives no taxpayer funding
- FY24, issued two bonds totaling \$322 M for two institutions; since 1967, has issued over \$23 B in bonds

How Other States Provide Financial Assistance for Private College Capital Needs

■ Illinois

- Illinois Independent Colleges Capital Investment Grant Program; created in 2019
- Operated jointly by the Illinois Board of Higher Education and the Capital Investment Board
- Funding source is the Build Illinois Bond Fund (\$400 M)
- Program is only for private, nonprofit colleges and universities
- Construction, repair, renovation, miscellaneous capital improvements
 - Including planning, engineering, acquisition, equipment, materials, services, and other required expenses
- Established a “base grant” (based on Fall 2017 full-time enrollment) and a “FTE grant” (based on 2022 student enrollment)
- Tiered grants
 - 1-200 FTE \$ 200,000
 - 201-500 FTE \$1,000,000
 - 501-4,000 FTE \$2,000,000
 - 4,001 FTE + \$5,000,000

How Other States Provide Financial Assistance for Private College Capital Needs

■ New York

- Higher Education Capital Matching Grant Program (HECap); established in 2005
- Awards matching grants to private, nonprofit colleges and universities
- Design, acquisition, construction, reconstruction, rehabilitation, and equipping of academic facilities, economic development or high-technology projects, and urban renewal and historic preservation projects enhancing an institution's offerings
- 3-person HECap Board appointed by Governor
- Staffed by the Dormitory Authority of the State of New York (DANSY)
- In 2024, awarded \$38 M to support projects at 33 private, nonprofit institutions; since 2005, has awarded \$368 M to 307 projects; awards have resulted in \$1.1 B in total investments

How Other States Provide Financial Assistance for Private College Capital Needs

■ California

- California Educational Facilities Authority; created in 1973
- Provides access to
 - Revenue bonds with low-interest rates
 - College Access Tax Credit Fund (to allocate and certify tax credits)
 - California Student Housing Revolving Loan Fund for zero-interest loans for affordable student, faculty, and housing
- Construction and expansion of educational facilities
 - Includes construction, remodeling and renovation, land acquisition, purchase or lease equipment, refinancing or refunding of prior debt, working capital, and cost of bond insurance and reimbursement of prior expenses
- 5-member Board, including State Treasurer, State Comptroller, State Finance Director, two Governor-appointed members (each a board member or administrator of a public institution of higher education)
- In 2023, CEFA authorized tax-exempt financing for three private, nonprofit institutions totaling \$393 M in bonds

Considerations for Virginia's Support for Accessing Capital for Private Colleges

Recommendations

- Clarify Va. Code to Allow VCBA Refinancing
 - In April-May 2025, CICV worked with SCHEV to ensure that VCBA can refinance debt issued by other lenders
 - See, “VCBA Guidelines in Connection with Bond Financings for the Benefit of Private Non-Profit Institutions of Higher Education” (Rev. January 2, 2019)
 - VCBA has opined to SCHEV that refinancing can be done for completed projects and projects under construction, but cannot be used to reimburse institutions for other non-project-related debt
 - More formal legislative or administrative clarification may be needed to cement VCBA opinion
- Expand VRA Authority to Permit Direct Loans for Private Colleges’ Capital Needs
 - VRA makes loans to local governments and other public entities for a variety of community-enhancing projects
 - As authorized by law, VRA may make loans to private entities for community improvements and economic development
 - Expand VRA authority to make loans directly to private colleges for capital infrastructure projects, with or without the Commonwealth’s moral obligation backing for such loans

Recommendations

- Permit VCBA Credit Enhancement for Bonds for Private Colleges
 - Permit VCBA to provide credit enhancements to secure payment of bonds issued by VCBA
 - Examples: surety bonds, insurance policies, letters of credit, guarantees, other forms of collateral or security, or capital reserve funds
- Establish a Targeted Grant Program
 - Permit state financial assistance program to support private colleges' capital needs
 - Planning, design, construction
 - Equipment purchases
 - Funding sources
 - General Fund appropriations
 - Bonds

Recommendations

- Establish VCBA Program to Grant-Fund Private Colleges' Capital Needs
 - VCBA established the “21st Century College and Equipment Programs”
 - Began in 1986 re technological equipment
 - Expanded in 1996 to include certain capital projects
 - Similar to the “21st Century College and Equipment Programs,” authorize VCBA to administer a grant program for private colleges' technological equipment and capital needs
 - General Fund appropriation
 - Debt finance
 - Would be limited obligations of VCBA with debt service paid from General Assembly appropriations

General Assembly: Political & Policy Threshold Questions

- Appropriating state funds or using state debt for private college projects
- Using state's Moral Obligation to support capital financing of non-state facilities even if they support a clear and important public purpose
- Certain level of state oversight of private college projects, including providing project-specific design, construction, and cost and financing documents

CICV Request

- That SCHEV encourage staff to continue working collaboratively with Virginia's private colleges to explore potential mechanisms whereby the Commonwealth could provide meaningful financial assistance to private, nonprofit colleges and universities for capital projects, and that recommendations be made by September 1, 2025, for SCHEV's consideration at its October 20-21, 2025 Council meetings

Thank you.

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