

## **Joint Subcommittee Studying Ways in which the Commonwealth May Work More Closely with Virginia's Private, Nonprofit Colleges to Meet State Higher Education Needs**

### **HJR 91**

Pursuant to House Joint Resolution 91 (2008), the Joint Subcommittee Studying Ways in which the Commonwealth May Work More Closely with Virginia's Private, Nonprofit Colleges to Meet State Higher Education Needs held its final meeting on November 16, 2009 in Richmond. Senator Frank M. Ruff, Jr., the subcommittee's vice-chairman, called the meeting to order. The purpose of the final meeting was to consider and discuss potential final recommendations. Members of the joint subcommittee in attendance included: Delegate Harvey B. Morgan, Delegate H. Morgan Griffith, Delegate David L. Bulova, Delegate Joseph D. Morrissey, Senator Frank M. Ruff, Jr., Laura Fornash of Virginia Tech, Dr. David Brat, Dr. Philip C. Stone, Secretary Thomas R. Morris, and Christine Milliken of the State Council of Higher Education for Virginia.

### **Potential Final Recommendations**

The joint subcommittee considered and discussed the following recommendations generated over the two year study:

1. **State supported student loan program.** This potential legislative proposal would create an updated or "hybrid" Virginia Education Loan Authority (VELA), or could involve Virginia buying into an existing program in another state. The hybrid program would offer federal and alternative loans to students attending Virginia institutions of higher education. A guaranty fund would be created to cover losses and the program would be authorized to accept federal, state, or private funds.
2. **Support for capital projects.** This proposal would provide direct support for institutions, or create a fund from which projects can be chosen, based on criteria set by the state. This could be structured similar to Maryland or New York's current program. Maryland's program provides for coordinated budget requests through an independent college authority. The proposed projects must meet certain higher education goals set by the state of Maryland in order to be considered and a 1:1 match by the institution is required. In 2010 three member institutions are to receive \$9 million. New York's program provides for a state contribution of one dollar of support for every three dollars spent by the independent college. Grants are awarded by the Higher Education Capital Matching Grant Board consisting of three members and as of August 6th, 2009 48 capital projects at 39 colleges had been approved for 2009-2010.
3. **Credit enhancement programs/ incentive grants.** Based on Mr. Pope's presentation in August 2009, the Commonwealth could lend its credit through a program similar to the Virginia Resources Authority (VRA), as well as set up

incentive grants for preferred projects to lower borrowing costs for private colleges. The credit enhancement program would be a little stronger than the Virginia College Building Authority, currently available to non-profit institution, as it would allow private colleges to take advantage of bond financing at very affordable low interest rates, through the Commonwealth's subject-to-appropriation undertaking to provide funds necessary to pay bonds if, and only if, the basic payment sources are inadequate. The subject to appropriation language provides the necessary assurance to national ratings agencies that the bonds will be paid, but legislation would need to impose standards that would reduce to an absolute minimum the chances that the Commonwealth's subject-to-appropriation obligation would ever be called on. In addition, incentive grants could be utilized to promote capital projects, increase enrollment of Virginia students, or increase financial assistance to Virginia residents.

4. **Shortage area funding.** Virginia has two existing programs, for teachers and nurses; these could be expanded, or new programs added based on need.
5. **Tuition Assistance Grant expansion/promotion.** This could involve an increase in the award amount or creation of a TAG website or promotional campaign. The 2009-2010 awards amounts provide \$3200/year for undergraduate graduate students and \$2200/year for graduate students. Currently, the award amount represents roughly 51% of the average state tuition subsidy to public institutions for in-state students.
6. **Direct per capita funding.** Direct appropriations to non-private colleges and universities could be based on the number of students enrolled, degrees granted, minorities or special needs students enrolled, or the number of Virginia residents enrolled.
7. **State matching program for either federal or private research grants.**

## **Final Recommendations**

The joint subcommittee voted to put forth one legislative recommendation during the 2010 Regular Session of the General Assembly. The recommendation would create a credit enhancement program modeled after the VRA to allow the non-profit private institutions to take advantage of the Commonwealth's credit rating in obtaining bond financing. The program would impose a moral obligation on the Commonwealth to step in if a private college or university defaults at any time. The members emphasized that strict criteria should be imposed in order for a private institution to be eligible to participate and to further minimize risk to the Commonwealth.

In addition, lengthy discussion established the desire of the joint subcommittee to include language in the final report that is supportive of several of the other proposed recommendations for which the current economic conditions in the Commonwealth make implementation difficult. An executive summary of the joint subcommittee's findings and

recommendations will be submitted no later than the first day of the 2010 Regular Session of the General Assembly and a final report will be submitted to the General Assembly and to the Governor in 2010.

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Study website: <http://dls.state.va.us/nonprofitedu.htm>