

0989 California Educational Facilities Authority

The California Educational Facilities Authority (CEFA) provides funding to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities. CEFA is also authorized to issue bonds, notes and other forms of indebtedness to finance the costs of attendance (student loans) at institutions of higher education. CEFA is a public instrumentality of the state consisting of five members: the Director of Finance, the State Controller, the State Treasurer, and two public members appointed by the Governor. All members serve four-year terms.

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Education Code Sections 94100-94213.

PROGRAM DESCRIPTIONS (Program Objectives Statement)

10 - BOND FINANCING

The California Educational Facilities Authority (CEFA) issues revenue bonds to assist private educational institutions of higher learning in the expansion and construction of educational facilities. Because it is authorized to issue tax-exempt bonds, the Authority may provide more favorable financing to such private institutions than might otherwise be obtainable. Pursuant to Chapter 569, Statutes of 2001, CEFA may include qualifying non-profit entities as eligible program participants for the construction of student and faculty housing. Bonds issued by CEFA are not a debt, liability or claim on the faith and credit or the taxing power of the State of California, or any of its political subdivisions. The full faith and credit of the participating institution is normally pledged to the payment of the bonds. Bonds issued for this purpose are not subject to the state's "private activity" bond ceiling as specified in the Federal Tax Reform Act of 1986.

Prior to January 1, 1999, CEFA was authorized to have outstanding at any one time \$2.6 billion in bonds for educational facilities. Pursuant to Chapter 741, Statutes of 1998, effective January 1, 1999, there is no limitation in bonds outstanding. As of June 30, 2007, bonds and notes in the amount of \$7.5 billion have been issued and \$3.8 billion were outstanding.

20 - FACILITY HOUSING AND GRANT PROGRAM

Chapter 1081, Statutes of 2002, clarifies the authorization for financing faculty housing for colleges and universities, and authorizes the use of up to \$2 million of CEFA funds, on a one-time basis for grants, not to exceed \$250,000 each, to help private colleges expand educational opportunities to low income students. In 2005, CEFA developed, through regulations, selection criteria and a process for awarding grants. Funds were to be disbursed over a three-year period. In fiscal year 2005-06, \$685,783 was disbursed to nine eligible schools, another \$697,732 was approved in 2006-07, and the balance will be paid in 2007-08. The grant program will sunset January 1, 2009.

30 - STUDENT LOAN PROGRAMS

Pursuant to Chapter 917, Statutes of 1995, effective January 1, 1996, the California Student Loan Authority (CSLA) was abolished, and the assets, obligations, and functions were transferred to CEFA. The purpose of the CSLA was to purchase federally reinsured educational loans from eligible lending institutions by issuing tax-exempt revenue bonds, thereby expanding student access to such low-cost federally reinsured loans. Pursuant to Chapter 917, the functions were expanded under CEFA to include direct student lending from proceeds of tax-exempt revenue bonds issued by CEFA. As of June 30, 2007, \$32.3 million in bonds were outstanding, from a total \$265.4 million issued. Bonds for this purpose are subject to the state's "private activity" bond ceiling, as specified in the Federal Tax Reform Act of 1986 and allocated by the California Debt Limit Allocation Committee (CDLAC).

Chapter 318, Statutes of 2005, added the requirement that not-for-profit corporations must seek approval from CEFA before applying for an allocation of a portion of the state's annual private activity volume cap from CDLAC for the purposes of issuing Qualified Scholarship Funding Bonds for Student Loan Programs. This requirement does not pertain to entities that have applied to CDLAC prior to January 1, 2006. Bonds issued for student loans are not a debt, or liability, or a pledge of the faith and credit of the taxing power of the state or any of its political subdivisions. This is a trust activity and all operating expenses must be paid from revenues and other moneys available to CEFA.
