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Since the State of Maryland does not provide funds for the construction of dormitories, dining halls, student activities, buildings, and similar ancillary services, an outline of cost responsibilities for such facilities in the state college system is presented. Based on a discussion of the financing methods for ancillary projects, the role of the federal government, and the Maryland policy, recommendations are suggested for financing expansion in higher education which allows for financing without taxation and a rational operation and expansion of these ancillary facilities in the state college system. The appendices list--(1) administrative statements about self-support, and (2) charts of interest payments, auxiliary fee services, residence hall fee, and operating expenses from 1966 projected through to 1980. Also included in the appendices is a comprehensive review of other states' methods of non-taxation financing for the construction of ancillary facilities. (HH)

REVENUE BOND FINANCING

AUXILIARY SERVICE FACILITIES CONSTRUCTION

AT THE STATE COLLEGES

A Report of The Board of Trustees
of the Maryland State Colleges
to the Maryland Legislative Council
and the Maryland Advisory Council
for Higher Education

Board of Trustees of the State Colleges
2100 Guilford Avenue
Baltimore, Maryland 21218

January, 1967

BOARD OF TRUSTEES OF THE MARYLAND STATE COLLEGES

Revenue Bond Financing Auxiliary Services Facilities Construction at the State Colleges

This report is presented by the Board of Trustees of the State Colleges to the Legislative Council and the Advisory Council for Higher Education as requested in Senate Joint Resolution No. 27 as ordered printed, with amendments, March 15, 1966. The resolution urged the Board of Trustees of the State Colleges to re-evaluate its policy with regards to the financing of dormitories for students at the State Colleges by means of self-liquidating revenue bonds. It further requested the Board to make a survey of revenue bond financing at other colleges and institutions of higher education, with specific references to the Universities of Illinois and Maryland and the State University of New York.

Review of Policy

The Executive Policy of the State of Maryland, announced in the 1966 Budget Message to the General Assembly of Maryland, stated that: [1]

> ".......... the State will no longer be able to provide funds for the construction of dormitories, dining halls, student activities buildings and similar auxiliary enterprises. Rather than being heavily subsidized by the State, these facilities should be put on a self-supporting basis whenever possible."

The 1967 Budget Message reiterated this policy.[2]

Although the Message did indicate that there are other means available to finance these projects, such as Federal loans, and various lease and lease-purchase arrangements, no specific financing plan was recommended. Also, the Message did not indicate a definition of "self-supporting".

It may prove useful to the reader if the term "Auxiliary Service Facilities Enterprise" as it is being used by this report is clarified, as well as defining the direct and indirect costs of operating these facilities, so that there will be a basic understanding of terminology when reading the report.

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1 - Budget Message of Governor J. Millard Tawes to the General Assembly of Maryland, Annapolis, January 20, 1965.

2 - Budget Message of Governor J. Millard Tawes to the General Assembly of Maryland, Annapolis, January 19, 1966.

The revised edition of College and University Business Administration, Volume II, originally published by the American Council on Education, in 1952, is expected to contain the following information:[3]

> Within many institutions there are three classifications of budget units which make charges for the services they render, and for which proper management necessitates direct comparison of revenues and expenditures. Organized activities relate directly to the instructional program and their primary purpose is to provide professional training to students; these activities may or may not be self-sustaining, the degree of self-support depending upon institutional policy. Service departments are organized primarily for the purpose of performing services to educational or operating units. An Auxiliary Enterprise is an entity of the institution which exists to furnish a service to its students, faculty, or staff, and perhaps incidentally to the general public, and which charges to the recipients of such service a fee which is directly related to, although not necessarily equal to, the cost of that service.
>
> Each Auxiliary Enterprise should be accounted for in such a way as to identify all of its operating costs and revenues. In addition to direct costs for salaries and for expenditures, indirect costs such as those for administration, and for plant operation and maintenance, should be apportioned to each Auxiliary Enterprise. Only with such cost accounting is it possible to establish appropriate rate schedules, to identify subsidies if any, and to compare with the costs which would result from alternative methods of providing the desired services.
>
> Usually residence halls, dining halls, bookstores, and student unions are operated as auxiliary enterprises. Medical school hospitals, home economics cafeterias, agricultural college farms and creameries, and laboratory or demonstration schools are organized activities. If professional training of students is secondary to service to students and staff, then the activity should be classified as an Auxiliary Enterprise.
>
> Under this definition, it is proposed that the following operations of the State Colleges be designated as Auxiliary Enterprise Services: residence halls, food service operations, College Center or Student Union and related operations such as bookstore, snack bar, game room, dining room and cafeteria.

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3 - In a telephone conversation with Bruce Partridge, Vice-President, Johns Hopkins University, and the Co-Editor of the revised edition, this revision was dictated from the proof.

From information obtained concerning procedures used in other states, it is clear that auxiliary facilities of State-supported colleges and universities are not completely self-supporting, though many claim to be. Investigation indicates that such facilities are not actually expected to be fully self-supporting in all respects as the necessary student fees charged to effect such an operation would tend to be prohibitive. Usually the operating budget of the college or university (General Funds of the State) support the "indirect" costs while the student fees support the "direct" costs, including bond retirement and debt service. However, what is included in "indirect" and "direct" costs tend to vary a great deal from state-to-state and from institution-to-institution.[4]

To be fully self-supporting an auxiliary facility would be charged with the following:

1. Bond retirement and debt service charges.

2. All direct operating expenses of the facility:

    a. Salaries of all full and part-time employees assigned to work in or with the facility.

        (1) Administrative and associated staff
        (2) Janitorial or housekeeping staff
        (3) Social security, retirement and workmen's compensation for these employees.

    b. Cost of all supplies and materials, equipment, replacement of equipment, equipment-additional, etc., used in conducting the objectives of the facility.

    c. Travel of staff.

    d. Contractual services related to direct operation of the facility.

    e. Insurance

3. All indirect and related costs

    a. Cost of land used and site improvements.

    b. Cost of utilities used:

        (1) Heat
        (2) Electricity
        (3) Water
        (4) Phone
        (5) Sewage

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4 - See Appendix A and B for indications of the degree of support given by the General Funds of the various states.

c. Prorated cost of labor and materials for routine repair of facilities and ground maintenance normally performed by College Maintenance Staff.

d. Prorated cost of all college services, such as general administration, security force, etc.

e. Cost of any major renovation and repairs of facility.

Irregardless of the financial plan used to construct auxiliary services, it is imperative that some agreement be reached by the Board of Trustees of the Maryland State Colleges and the Executive and Legislative branches of the State Government as to what expenses of auxiliary facilities will be borne by General Funds of the State in the operating budget of the College and what expenses will be met from student fees.

It is important that as the State policy pertaining to self-supporting auxiliary service facilities is further defined, developed and implemented, that a high degree of flexibility in the division of the costs of these facilities between the students and the State be maintained so that the total cost of higher education to the student may be continually under review and adjusted from time to time to the level desired and agreed upon by the General Assembly.

At this time in the development of this policy, the Board of Trustees of the State Colleges recommend that the following costs of auxiliary service facilities construction and maintenance be borne by student fees.

1. Cost of construction and related expenses

   a. Bond retirement and debt service payments.

   b. Site improvements directly related to and included in the construction cost of the facility.

   c. All costs directly related to construction such as architect fees, legal fees, fees of financial advisors, cost of printing bonds, etc.

   d. Cost of equipment needed to place the facility in operating condition.

2. The following direct operating expenses of the facilities:

   a. Salaries of all full and part-time employees assigned to work in or with the facility.

      (1) Administrative and associated staff

      (2) Janitorial and housekeeping staff

(3) Social security, retirement, workmen's compensation, and State Employees' Health Insurance for these employees.

b. Cost of all supplies and materials, equipment, replacement of equipment, equipment-additional, etc. used in conducting the objectives of the facility.

c. Travel of staff.

d. Contractual services related to direct operation of the facility.

e. Insurance on facilities constructed with Board of Trustees revenue bonds. (Insurance on State constructed auxiliary facilities to be paid by State and covered under the State's blanket insurance policy.)

It is proposed that other costs as previously listed in this report, associated with construction and operating auxiliary service facilities at the State Colleges be met by the General Funds of the State as provided annually within the operating budget of the College.

THE MARYLAND STATE COLLEGES PROJECTED AUXILIARY FACILITIES CONSTRUCTION PROGRAM 1966-1980

The Board of Trustees of the Maryland State Colleges adopted at the meeting of June 1966 a goal that would allow the five State Colleges presently under its jurisdiction to increase enrollments so that by 1980 the total aggregate full-time undergraduate enrollment for the system will be approximately 32, 291 compared with the 7,987 students expected in the fall of 1966. 5 This projection calls for the State Colleges to enroll 15% of the public high school seniors as freshmen in September following their June graduation compared with the 9 percent now entering the colleges. The projection further anticipates the Colleges enrolling at least 33% of the students transferring from the State's Community Colleges to public four-year institutions; also, it is expected that the percentage of out-of-state students enrolling in the State Colleges will gradually increase and will approach the maximum of 15% set by the Board of Trustees of the State Colleges by 1980.

This dramatic projected increase from 7,987 to 32,291 undergraduate students within the next 15 years combined with a related increase in graduate education demands and growth of the summer session and extension programs at each of the Colleges will present a great challenge to the Colleges, not only in construction and staffing for the academic programs but also of the related auxiliary services facilities. To give the reader an idea of the magnitude of the auxiliary services facilities construction that is involved, the following tentative construction chart with projected costs is presented.

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5 - See Enrollment Projection - 1966, June 1966 Board Meeting Exhibit

College and Proposed Auxiliary Facility	1965 - 1975 Cost*	1975 - 1980 Cost
Bowie		
Residence Halls	(1) 1,588,000 (c)	(4) 7,972,000 (b)
Dining Room Expansion	1,725,000 (b)	1,110,000 (c)
College Center & Expansion	2,326,000 (b)	3,596,000 (a)
Coppin		
Residence Halls		(1) 1,961,000 (c)
Dining Room Expansion	745,000 (b)	
College Center Expansion	1,294,000 (a)	
Frostburg		
Residence Halls	(8) 11,195,000 (a)	
Dining Room Expansion		
College Center Expansion	1,882,000 (b)	
Salisbury		
Residence Halls	(8) 10,985,000 (a)	(2) 3,625,000 (a)
Dining Room Expansion	772,000 (a)	811,000 (b)
College Center Expansion	2,044,000 (b)	
Towson		
Residence Halls	(5) 7,481,000 (c)	(2) 3,625,000 (c)
Dining Room Expansion	1,937,000 (b)	2,330,000 (c)
College Center & Expansion	8,844,000 (a)	
Estimated Total	52,818,000	25,030,000

Est. Total Revenue Bond Indebtness of Board of Trustees - 1980 $ 77,848,000

(a) - High priority
(b) - Medium priority
(c) - Low priority

* - Estimated cost attempts to allow for increasing costs of construction.

In the auxiliary service facilities area the Board of Trustees of the State Colleges has placed the highest priority on the construction of residence halls at Frostburg and Salisbury that are needed for these Colleges to accommodate sufficient students to fully utilize the academic facilities which have been completed, are now under construction or for which planning or construction funds have been appropriated. Of course, it will be necessary to provide additional dining facilities to accommodate the students living in these residence halls. The Board has also placed a high priority on the construction of a college center at Towson which is essential to a college having a large percentage of commuter students in attendance.

Approximately 85% of the students expected to attend the public institutions of higher education in Maryland between now and 1980 are expected to come from homes within the Baltimore-Washington Metropolitan Area. The growth in enrollment at Towson State College and Bowie State College appears to be assured and residence halls will not likely be needed to fully utilize the academic facilities planned at these Colleges. Residence halls at these colleges will be needed if the colleges are to enroll up to 15% of the student body from out-of-state or if one or both of these Colleges develop unique programs which will attract a large number of students. The present plans of the Board of Trustees of the State Colleges is to place a relatively low priority on residence halls at these campuses. However, this plan will be under continuous review and when it clearly appears that residence hall construction at these Colleges is essential to the continued growth and development of the institutions or to the effective utilization of the resources of these institutions by the citizens and students of the State, plans will be made to construct needed residence halls.

It is expected that the Board of Trustees of the Maryland State Colleges will have to be given authority to issue approximately $43,749,000. worth of bonds between now and 1975 to construct essential auxiliary facilities, and a total of $57,182,000. by 1980, without residence halls at Bowie and Towson. If residence halls and related facilities are constructed at Towson and Bowie, the total bond issue authorized will have to be approximately $77,848,000. To date, the Legislature has authorized the Board of Trustees of the State Colleges to issue $6,000,000 for residence halls at Frostburg and Salisbury, and $5,000,000 for a College Center at Towson.

METHOD OF FINANCING

A review of revenue bond financing of auxiliary service facilities utilized by public colleges and universities in the United States indicates that bonds issued usually contain one or more provisions to provide for security of the bonds. The provisions included depend upon: the method of bond financing used; what is allowed by the constitution of the State which supports the institution; what is allowed in the legislative act enabling the institution or its Board of Trustees to issue revenue bonds; or what is allowed by the regulations established by the Board of Trustees of the institution. Following are provisions found in the bond issues of the twenty-three institutions and systems surveyed.[6] The number of institutions including the provision is noted in the parenthesis.

1. Pledge of gross or net revenue realized from the operation of the facilities being constructed from the proceeds of the bond issue. (20)

2. Unencumbered net or gross revenue realized from operation of other auxiliary service facilities in existence or from future facilities to be constructed. (17)

3. Board of Trustees of the institution covenants and agrees to operate the facilities under rules to assure maximum occupancy and to establish fees, rents, and charges for the use of auxiliary facilities sufficient to make all payments of bond debt, interest and required bond reserves and/or reasonable operating costs. (14)

4. Other specific fees charged to students, such as student union, health, building construction, etc., or other funds of the institution. (8)

5. The Board of Trustees of the institution covenants and agrees to pay reasonable operating expenses of the auxiliary facilities. (6)

6. Mortgage on the facilities constructed from bond proceeds and on other auxiliary service facilities of the institution. (4)

7. For an authority, a pledge of rentals received from leases with the Board of Trustees of the institution involved. (4)

8. Rental contracts to be paid under leases are authorized by legislative action and are obligations of the State for the payment of which the good faith of the State is pledged. (4)

9. Bonds are general obligations of the State. (2)

10. Bonds are a general obligation of the institution. (2)

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6 - See Appendix A.

11.. Legislature of the State will annually appropriate from the General Funds of the State sufficient funds to meet the operating and maintenance cost of auxiliary service facilities. (2)

12. Interest earned on invested funds may be pledged. (1)

13. The Board of Trustees convenants to pay the principal and interest of bonds from any monies available for the use of the institution which are not required by law or by previous obligations. (1)

A review of the methods used for construction of revenue bond financed auxiliary services facilities indicates five basic approaches. These basic methods and users of the specific method found in the review follows:[7]

I. Institutional Auxiliary Services Facilities Bond Program

The Board of Trustees of an individual institution issues revenue bonds to construct facilities at that institution, using one or more combinations of pledges listed previously in this report to secure the bonds. This basic method is used by the University of West Virginia, Northern Illinois University, University of Iowa, Ball State University (Indiana), University of Minnesota, Central Washington State University, Oklahoma State University, Eastern New Mexico University, Indiana University, Rutgers (the New Jersey State University).

II. An Auxiliary Services Facilities Revenue Bond System

A Board of Trustees having jurisdiction over more than one public State institution or a university having more than one campus issues a series of bonds to construct facilities at the various campuses, using one or more combinations of pledges listed previously to secure the bonds for construction related to each campus. This basic method is used by: University of California campuses, Pennsylvania State University and its Centers, State of Rhode Island Public Institutions, State of Virginia for its State Colleges and Universities.

III. Establishment of a Construction Authority

An authority is established to issue bonds and to construct auxiliary facilities and the institutions lease the facilities from the authority. The authority pledges the lease payments for bond security and the lease payments

7 - See Appendix A.

are assured by use of one or more of the pledge patterns listed previously. This basic method is used by: the public and private institutions of higher education of the State of New York; the State Colleges of Wisconsin, the University of Wisconsin, State Colleges and University of the State of Georgia.

IV. General Obligation of the State

The State issues General Obligation Bonds to finance construction of auxiliary service facilities and impose taxes in amounts sufficient to pay and secure the principal and interest on the bonds. This method is used by the States of Alaska and Oregon.

V. Cash

Cash on hand is used to pay for construction of auxiliary facilities. This method is presently used by the University of Maryland.

FEDERAL PARTICIPATION

The Board of Trustees of the State Colleges has been fortunate in having the first bond financed residence halls at Frostburg and Salisbury qualify under the priorities established by the College Housing Loan Program of the Department of Housing and Urban Development of the Federal Government. Under this program the College Housing Loan Program has agreed to purchase the revenue bonds issued by the Board of Trustees of the State Colleges to finance these halls at an interest rate of three percent. If these bonds were to be sold on the open market at this date, the interest rate would likely be 4-3/4 to 5-1/4 percent. The College Housing Loan Program places college centers low on the priority list. Although the College Housing Loan Program will participate in the purchase of bonds for state college construction, the total amount to be purchased is severely limited. In addition, the basic criteria for participation in buying residence hall revenue bonds is the established need as evidenced by overcrowded halls and off-campus housing and not on enrollment projections or growth requirements. Therefore, unofficial indications are that it is highly unlikely that the College Housing Loan Program will continue to guarantee to purchase the revenue bonds issued by the Board of Trustees of the State Colleges to finance the construction of auxiliary service facilities. It is pointed out that requests from colleges to the College Housing Loan Program for bond purchases totaled $800,000,000 in 1966 and the College Housing Loan Program had only $300,000,000 appropriated for this purpose.

However, in a report published by the American Council on Education released November 4, 1966,[8] the author, Israel Rafkind, proposes the use of long-term, no-interest loans to enable colleges to provide student housing at charges students can afford to pay. Under this proposal, the colleges would be guaranteed a loan from the College Housing Loan Program. The college would be responsible for repaying the principal over the life of the loan. The College Housing Loan Program would sell non-tax deductible bonds on the open market at competitive interest rates. The Federal Government would guarantee the bonds and actually pay the interest to the holder of the bonds. If this plan were to be approved by the United State Congress, the Board of Trustees of the Maryland State Colleges could participate and receive interest-free construction loans to build auxiliary service facilities.

DISCUSSION - MARYLAND POLICY

The Maryland policy on auxiliary service facilities construction as established by Executive action and accepted by the General Assembly is not unique to Maryland. However, the Board of Trustees of the State Colleges does want to call attention to the fact that major problems were encountered in implementing the policy. The State Law Department raised a question concerning the legislation enabling the Board of Trustees of the State Colleges to issue revenue bonds. The question involved was whether or not fees charged for existing facilities could be used to finance new facilities and whether the issuance of revenue bonds for construction of a facility was, in effect, creating a State debt. A law suit was filed by a taxpayer and the Court of Appeals of the State upheld the constitutionality of the enabling legislation.

The State Law Department pointed out that the Board of Trustees of the State Colleges could not participate in a lease-purchase program with private developers nor in an auxiliary service construction authority because the present State Constitution prohibits any State agency from entering into a lease agreement exceeding one year.

Under the Federal regulations governing participation in the College Housing Loan Program, the College Housing Loan Program cannot purchase the bonds until the project is 80% completed. The college is expected to borrow money from the local financial market for interim financing. The State Law Department informed the Board of Trustees of the State Colleges that it did not have the authorization to borrow money to provide this interim financing. Fortunately, under the Federal regulations, the College Housing Loan Program can grant the Board an advance on the bond sale for interim financing of construction under circumstances that prohibits the Board from borrowing the funds.

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8 - Rafkind, Israel, The Federal Government's College Housing Loan Program: A Critique and an Alternative, American Council on Education, Washington, D. C., 1966.

However, Federal bond money cannot be used to purchase movable equipment for the project and the College (BTSC) must provide evidence to the College Housing Loan Program that funds are available to the College to purchase equipment needed to place the facility in operation. The Board of Trustees has requested this needed equipment money as a part of the Capital Budget Request for Frostburg and Salisbury. Once the Legislature approves this budget, the College Housing Loan Program will have the assurance needed that equipment money is available and will buy the bonds.

All of these difficulties have been resolved and the Board can now report that it can administer the revenue bond authorization. Furthermore, in light of the fact that the Board has qualified under the Federal College Housing Loan Program for a 228-bed residence hall at Frostburg State College and a 150-bed hall at Salisbury State College, at 3% interest, the cost to the student is at the minimum. However, it is clear that the Board of Trustees will not qualify on a continuing basis for a loan under the Federal Housing Loan Program.

As previously pointed out, no public institution or system of higher education is without subsidy from the general funds of the operating budget for support of the auxiliary service facilities. That is to say, General Funds are earmarked in such a way to reduce the cost to the student for auxiliary service facilities financing. It is equally clear that if the student were asked to pay the full cost of the auxiliary service facilities operation, that the fee would be so high that it would tend to preclude maximum student participation.

The Maryland policy was established to relieve the taxpayer of a substantial subsidy in auxiliary service facilities financing. In fact, for the State College System that subsidy was greater than at any other public institutions in the United States. The Board of Trustees of the State Colleges is fully committed to relieving the State of this inordinate subsidy. At the same time, the Board must be committed to a policy which will allow for a rational operation and expansion of the auxiliary service program in the State College System. With this in mind, the Board offers the following recommendation for consideration as the State moves forward to plan for its expansion of higher education.

RECOMMENDATIONS:

1. That the Board of Trustees of the State Colleges be granted unlimited Revenue Bond authorization to sustain the anticipated construction cost of auxiliary service facilities at the State Colleges now under its jurisdiction.

2. That the revenue bond debt be repaid over the life of the facility constructed with bond proceeds, with a maximum of 40 years.

3. That the student auxiliary service facilities use fees and charges for services and merchandise provided by the auxiliary services operation be sufficient to meet the cost of auxiliary service facilities construction and those operating costs recommended by the Board of Trustees in this report. (See page 4a)

4. That all other operating costs of auxiliary services at the State Colleges be borne by the General Funds of the State as provided by the General Assembly in the annual operating budget of the college.

5. That the Board of Trustees of the State Colleges be authorized to establish a Special Funds Account at the State Treasury of Maryland (Board of Trustees of the State Colleges Auxiliary Services Facilities Construction Account) and that all gross revenues attained from all fees, charges, and operating income of the auxiliary service facilities of all colleges under its jurisdiction be deposited in this account.

6. That funds required to establish necessary reserve accounts for the payment of bond principal, bond interest, bond debt service, and other such reserve accounts required by the trustees of the revenue bonds be provided from the funds of the Board of Trustees of the State Colleges Auxiliary Services Facilities Construction Account.

7. That funds needed to meet those annual direct operating costs of auxiliary services facilities to be met by Special Funds of the College, recommended by the Board of Trustees in this report (See page 4a), be transferred from the Board of Trustees of the State Colleges Auxiliary Services Facilities Construction Account to the Auxiliary Services Program of the operating budget of each college and be shown as Special Fund income for that Program. The operating budget of the Auxiliary Services Program is an integral part of the total operating budget of the college and is subject to the review and recommendations of the Governor and General Assembly each year.

8. That the Board of Trustees of the State Colleges be responsible for maintaining detailed records, within the framework of the State's policies and procedures and open to the public, of all transactions concerned with and related to the Board of Trustees of the State Colleges Auxiliary Services Facilities Construction Account.

9. That the Board of Trustees of the State Colleges be responsible for submitting an annual financial statement to the Governor and General Assembly showing the total revenues received into the Board of Trustees of the State Colleges Auxiliary Services Facilities Construction Account and all expenditures and transfers made from that account and the related reserve accounts.

10. That the Board of Trustees of the State Colleges be authorized to borrow funds for interim financing to implement the construction of auxiliary service facilities.

11. That both the Board of Trustees of the State Colleges and the General Assembly maintain a high degree of flexibility in the division of the costs of auxiliary service facilities between the students and the State so that the total cost of higher education to the student may be reviewed and adjusted from time to time to the level desired and agreed upon by the General Assembly.

APPENDIX A

Security for Revenue Bonds at Various Colleges and Universities

PENNSYLVANIA STATE UNIVERSITY

a. Bonds are a general obligation of the University.

b. Mortgage on the facilities constructed and other income-producing facilities and some non-income producing facilities.

c. Pledge of gross revenue of income-producing properties.

d. Operating expenses may be paid from excess revenue from income-producing properties. If the excess revenue is not sufficient to meet these costs, other funds of the University may be used to pay operating and maintenance costs.

STATE UNIVERSITY OF IOWA

a. Bonds payable solely from net revenue of the entire dormitory system including all existing facilities, facilities to be constructed or acquired in the future and are not an obligation of the State of Iowa.

b. Board assures maximum occupancy and covenants to fix, maintain, revise and adjust from time to time the rates, rents, fees and charges in order to provide revenue sufficient at all times to pay reasonable operating and maintenance costs, to pay maturing principal and interest, and make required deposits to the bond reserve.

UNIVERSITY OF CALIFORNIA (All campuses)

a. Bonds secured by first lien and pledge of net revenues derived from the operation of Housing System Revenue Bonds. (At all branches of the University of California)

b. Bonds are special obligations of the Board of Regents and the Board is obligated to apply only such Net Revenues to the payment of the principal and interest on the bonds.

WEST VIRGINIA UNIVERSITY

a. Net revenue of operating all housing units (including dietary) are available for construction or to pay interest and retire bonds of the facility and future facilities.

WEST VIRGINIA UNIVERSITY (cont'd)

b. Board of Governors covenants that it will fix, establish and collect such fees, rentals or other charges of the project and existing dormitories, and revise the same from time to time whenever necessary, as will always provide gross revenues sufficient to pay reasonable costs of operation and maintenance of the facilities and bond debt and interest payments, and related bond reserves.

NORTHERN ILLINOIS UNIVERSITY

a. Bonds secured by first lien on the net operating revenue of the residence halls and stadium to be built and the existing residence halls.

b. Pledge of student fees.

c. Operating and maintenance costs of stadium to be paid by University's general operating funds.

d. Board covenants to charge and collect rates and fees, including student fees, sufficient to pay the principal and interest on these bonds and to establish the required bond reserves.

BOARD OF TRUSTEES OF STATE COLLEGES OF THE STATE OF RHODE ISLAND (University of Rhode Island)

a. Provide from funds other than proceeds of bond sales, funds to purchase movable equipment and furnishings needed for the operation of the facilities.

b. Board covenants to make a pledge of sufficient revenue of the project, subject to payment of operating expenses of the project (not including General Administration expenses), together with such other revenues as may be available for the purpose, to meet the costs of the bond payment, interests, and required bond reserve accounts.

c. Neither the State of Rhode Island nor the Board shall be obligated to pay the principal and interest of the bonds except from the special funds mentioned above.

STATE OF VIRGINIA - Virginia College Revenue Bonds

a. Board of the individual colleges covenants to charge sufficient specific rentals or fees to pay principal and interest, and to create required reserves for bonds.

STATE OF VIRGINIA - Virginia College Revenue Bonds (Cont'd)

b. The institution will covenant to pay such principal and interest of bonds from any monies available for the use of the institution which are not required by law or by previous obligations.

c. Any surplus revenue remaining after bond debt payments have been made, will be applied toward meeting the operating and maintenance costs of the facilities.

d. Legislative body will annually appropriate from the General Funds of the State sufficient funds to meet the operating and maintenance costs of the facilities.

STATE OF GEORGIA UNIVERSITY SYSTEM BUILDING AUTHORITY (All State-supported institutions included in System)

a. Bonds are valid and binding obligations of the University System Building Authority, payable from a first claim on rentals received under separate leases with the Board of Regents of the University System. Rental contracts to be paid under the leases have been authorized by the General Assembly of Georgia which, under the provisions of the State Constitution, are obligations of the State for the payment of which the good faith of the State is pledged.

b. The Board of Regents (College) agrees to pay all costs of operations and maintenance of the leased facility.

BALL STATE UNIVERSITY (Indiana)

a. A first mortgage on the project and site thereof.

b. By a first lien on and pledge of the net income derived from the operation of the project.

c. A covenant agreeing to pledge unobligated net revenue from other presently existing facilities, if needed.

d. A covenant to fix, maintain, and collect rentals and charges sufficient to pay for the operation and maintenance of the project together with all debt service requirements.

UNIVERSITY OF MINNESOTA

A special obligation of the University secured by:

a. First lien on and pledge of the net revenues to be derived from the operation of the project.

UNIVERSITY OF MINNESOTA (Cont'd)

b. Pledge of unobligated net revenue derived from operation of existing facilities may be made, if needed.

c. University agrees to maintain appropriate parietal rules, rental rates and other charges to assure maximum occupancy and to cover debt service requirements.

EASTERN NEW MEXICO UNIVERSITY

Bonds are a special obligation of the Board of Regents and are secured by:

a. A first lien on and pledge of the Gross Revenues derived from the operation of the facility.

b. Regents covenant and agree to set charges for the use of the facilities necessary to pay debt service and to establish and maintain adequate reserves.

c. Regents further covenant and agree that in the event that project funds are insufficient to pay current expenses, they will provide funds necessary for such purpose from revenues derived from Land Grant income and/or money derived from a "Building Use Fee" levied against all enrolled students of the University.

WISCONSIN STATE COLLEGE BUILDING CORPORATION (Eight Wisconsin State Colleges)

Facilities are constructed by the Wisconsin State College Building Corporation and bonds are secured by:

a. A pledge of rental revenues derived from lease of the properties to the Board of Regents of the State Colleges.

b. The Board of Regents agrees to charge rent at rates which will produce sufficient revenues to pay the lease rentals and other costs and expenses.

c. The State of Wisconsin by law is liable for rentals occurring under the lease and may be sued thereof on contract without the necessity of filing any claim with the Legislature.

STATE BOARD OF HIGHER EDUCATION OF THE STATE OF OREGON

a. Bonds are a general obligation of the State of Oregon.

b. Board provided for the establishment and maintenance of a two-year debt service reserve and for charging of such rates and fees for revenue-producing facilities as are necessary to make the facilities self-liquidating and self-supporting.

UNIVERSITY OF ALASKA

a. Full faith, credit and resources of the State of Alaska with specific covenant that the State will impose legal taxes in amounts sufficient to pay and secure the principal and interest on the bonds.

INDIANA UNIVERSITY

a. Net revenues of and mortgage on project and site.

b. Covenant that excess net income from other dormitories shall be kept available as required to maintain the Dormitory Sinking Fund.

c. Covenants that it (The Trustees of the University) will operate the project under appropriate parietal rules to assure maximum occupancy, and will fix and maintain rents and other charges which will provide revenue sufficient to pay the reasonable cost of operation and maintenance and repairs, and to maintain the Sinking Fund.

RUTGERS, THE STATE UNIVERSITY - NEW JERSEY

a. General obligation of the University

b. Mortgage on project

c. Net revenues of project.

WISCONSIN UNIVERSITY BUILDING CORPORATION

a. All rentals and avails due the Wisconsin University Building Corporation for lease of the facilities to the Regents of the University of Wisconsin. The lessee has agreed to charge rates and fees for the facilities which will produce sufficient revenue to pay the lease rental and other costs and expenses.

b. The Statute of the State of Wisconsin specifically renders the State liable for rentals occurring under the sublease and may be sued therefor on contract without the necessity of filing any claim with the Legislature.

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

Public Colleges

a. State University of New York leases facility from Dormitory Authority of the State of New York.

b. Gross revenue of operating facilities are pledged.

c. State University of New York insures a rental sufficient to pay for the retirement of its bond debt obligations and a portion of the general operating expenses of the Authority.

d. The State University of New York assumes the responsibility of direct operating costs of the facilities including maintenance, minor repairs, replacement of equipment and redecorating.

CENTRAL WASHINGTON STATE COLLEGE

a. One-third of interest on Normal School Fund plus one-third income from lease, or rental of lands set apart for Normal School use, and one-third of the interest received on contracts for the sale of such lands.

b. All of the general tuition fees to be charged each student at the College. ($18 per student/quarter)

c. Any grant which may be made available to the College for the purpose of furthering construction of authorized projects.

d. Such additional funds as the Legislature may provide.

UNIVERSITY OF MARYLAND

At this time the University has sufficient reserves in its Dedicated Fund Account to construct auxiliary facilities without incurring a debt.

OKLAHOMA STATE UNIVERSITY

a. First lien on the net revenues derived from the operation of the facilities being constructed from proceeds of bonds.

b. Junior lien on net revenues derived from the operation of certain other existing facilities.

c. Board of Trustees covenants and agrees to establish fees, rents, and charges from the use of the facilities sufficient to make all payments of bond debt, interest, and required reserves.

d. Board covenants to require a sufficient number of students to use and occupy the project as nearly as possible to 100%.

THE UNIVERSITY OF NEW MEXICO

a. Gross revenues received from the operation of all revenue-producing facilities of the Regents, including facilities to be constructed from the proceeds of the bonds but excluding future facilities which may be constructed.

b. Gross proceeds of the collection of student fees.

c. Gross income from the Permanent Fund and Income and Current Fund of the Regents.

d. Certain other revenues derived from sources other than taxation or grants.

UNIVERSITY OF ILLINOIS

a. Net revenues of the project.

b. Student fees and tuition, up to a specified amount annually, to cover reasonable expenses of operation, maintenance and repair, and to cover required bond reserves.

c. Covenants to continuously operate the facilities under appropriate parietal rules to assure maximum occupancy, and will fix and maintain rents and other charges in such amounts that, when supplemented by tuition fees as pledged, will provide revenue sufficient to maintain the bond reserves and to pay reasonable costs of operating and maintaining the facilities.

APPENDIX B

Following are statements made by various college administrators when asked about level of support for operation and maintenance and bond debt retirement expected from student charges:

State of Illinois

Board of Higher Education, Dr. Lyman A. Glenny, Executive Director -- letter dated October 21, 1966

> "You must realize that in this State the auxiliary service and dormitory construction are largely self-amortizing. However, the State provides considerable indirect support through donation of land, the financing of utilities and provisions for certain counseling and maintenance activities."

University of Illinois

Herbert O. Farber, Vice-President and Comptroller -- letter dated September 14, 1966

> "I do not know of any University which finances the construction of its residence halls on a 100% self-supporting basis. There is usually some form of subsidy, such as the provision of utilities or other services without cost to the residence halls."

Johns Hopkins University

Dr. Bruce Partridge, Vice-President, in a phone conversation September, 1966, indicated:

> There are no institutions of higher education in the United States that he is aware of that expect the auxiliary services to be completely self-supporting in all respects. Although the subsidy is not likely to be the same at any one institution, usually such facilities are subsidized to varying degrees in some way by the general operating budget.

Erfft Associates, Consultants for Higher Education Administration

Dr. Kenneth Erfft, President, indicates that he is not aware of any institution that has a complete self-supporting operation of its auxiliary services from student charges. The operating budget usually supports some aspects of the auxiliary service operation.

Federal Government

Israel Rafkind, in his book, The Federal Government's College Housing Loan Program, published by American Council on Education, Washington, D. C. 1966, (pages 4 and 5) makes the following points:

> "The classification of college housing as an 'auxiliary enterprise' has tended to obscure the fact that student charges rarely are sufficient to pay debt service in addition to maintenance and operating costs. Student housing generally does not lend itself to revenue bond financing without the pledge of additional revenue from sources other than the project being financed or without absorption of housing-related costs in other parts of the institution's budget."
>
> "The dilemma of college housing is to divorce itself from the myth of being a self-supporting auxiliary enterprise, for it is evident that some kind of subsidy is necessary if such housing is not to be priced beyond the ability to pay of many students."

State University of New York, Albany, New York

Mr. Charles H. Foster, Vice-President for Business Affairs, in a letter dated February 1, 1967, indicated:

> The capital construction program for student union, dining halls and academic facilities is financed through the issuance of bonds by the New York State Housing Finance Agency. The costs of debt service on these bonds are provided as rental payments made from University tuition and fee income. No funds from dining hall operations are provided for debt service costs.
>
> Student housing is constructed, equipped and financed by the New York State Dormitory Authority. Rental and dormitory fee income is used to pay for debt services. Prior to August 1, 1962, the State provided a one-third capital subsidy of the cost of residence hall construction. Since that time all such capital costs have been financed from Dormitory Authority bonds. To offset this increased debt service cost to be paid from income, the State appropriated equivalent dollar amount in the operating budget of the housing program. The cost of utilities as well as the cost of any general college services such as general administration, security force and ground maintenance is also provided by a State appropriation in the operating budget.

APPENDIX C

INTEREST PAYMENTS

The tables below show the interest cost for $1,000,000 at various percentages for a 15-year, 20, 30, and a 40-year issue. The 15-year schedule is the life of bonds used in the State's General Construction Bond Issue; the 40-year schedule is that likely to be used by the Board of Trustees of the State Colleges if it sells bonds on the open market.

Interest Payment Over Life of Bond
for Each $1,000,000

Rate of Interest	15 Years	20 Years	30 Years	40 Years
2	$ 167,375	$ 223,120	$ 339,500	$ 462,240
2½	211,490	282,940	433,340	593,440
3	256,505	344,320	530,570	730,480
3½	302,375	407,220	631,130	873,120
4	349,115	471,164	734,900	1,020,960
4½	396,710	537,520	841,176	1,173,720
5	445,130	604,860	951,530	1,331,120
5½	494,375	673,580	1,064,150	1,492,800
6	544,445	743,700	1,179,470	1,658,480

APPENDIX D-1

SUMMARY - AUXILIARY SERVICE FEES

Estimated range of Auxiliary Service Fees per student at State Colleges with bond debt consolidated and operating costs based on individual College expectation.

Year	Residence Hall Fee Range	Dining Hall Fee Range	Room & Board Fee Range	College Center Fee Range	Total Auxiliary Service Fee Range: Residence Hall Students	Total Auxiliary Service Fee Range: Non-Residence Hall Students
1967	273- 313	365- 435	667- 738	0	667- 738	0
1968	335- 417	446- 537	863- 920	13	876- 933	13
1969	398- 487	479- 577	972-1023	36	1008-1059	36
1970	461- 578	513- 616	1077-1131	33	1110-1164	36
1971	528- 689	579- 695	1223-1276	30	1253-1306	35
1972	574- 698	620- 741	1315-1370	36	1351-1406	44
1973	615- 795	662- 790	1405-1459	40	1445-1499	51
1974	665- 851	692- 826	1491-1543	41	1532-1584	51
1975	727- 938	793- 953	1680-1736	51	1731-1787	60
1976	765- 984	822- 981	1740-1806	56	1796-1862	66
1977	805-1028	854-1017	1822-1882	52	1874-1934	64
1978	816-1056	878-1045	1861-1934	50	1911-1984	62
1979	857-1108	903-1074	1927-2011	48	1975-2059	60
1980	885-1148	927-1103	1969-2075	46	2015-2121	57

APPENDIX D-2

SUMMARY - AUXILIARY SERVICE FEES

Estimated potential range of Auxiliary Service Fees per student at State Colleges to cover bond debt and operating expenses and auxiliary service facilities - Each College computed separately.

Year	Residence Hall Fee Range	Dining Hall Fee Range	Room & Board Fee Range	College Center Fee Range	Total Auxiliary Service Fee Range: Residence Hall Student	Total Auxiliary Service Fee Range: Non-Residence Hall Student
1967	273-313	365-425	667- 738	0	667- 738	0
1968	285-461	446-537	822- 932	0-68	870-1000	0-46
1969	297-565	479-577	874-1045	0-54	916-1099	0-54
1970	303-647	549-609	912-1196	0-49	950-1196	0-49
1971	437-777	605-682	1071-1382	0-45	1071-1382	0-47
1972	445-821	630-768	1162-1451	0-80	1193-1451	11-120
1973	525-866	658-786	1266-1524	0-79	1330-1603	38-98
1974	631-907	688-822	1453-1595	40-72	1504-1667	40-115
1975	704-991	795-949	1636-1786	40-71	1680-1851	40-108
1976	749-1034	837-974	1723-1821	40-66	1767-1929	40-100
1977	800-1080	857-1004	1804-1937	40-79	1848-1990	40-105
1978	811-1209	882-1033	1820-2142	40-68	1860-2200	40-90
1979	831-1254	907-1063	1873-2212	40-59	1913-2268	40-79
1980	851-1261	933-1094	1929-2243	40-53	1969-2296	40-75

APPENDIX E-1

RESIDENCE HALLS

Estimated fee - per residence hall student with 10% vacancy for residence hall bond retirement and debt service consolidated for total system compared with fees if each College is computed separately.

(This Chart DOES NOT include operating costs)

	Consolidated	Individual College Only Fee per residence hall student				
Year	Fee per Residence Hall Student	BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1966	0	0	0	0	0	0
1967	0	0	0	0	0	0
1968	50	0	0	75	94	0
1969	101	0	0	135	173	0
1970	158	0	0	180	227	101
1971	192	0	0	215	280	101
1972	230	0	0	245	308	171
1973	261	0	0	271	332	223
1974	297	212	0	294	353	263
1975	320	212	0	315	373	297
1976	342	316	0	315	392	326
1977	358	316	0	315	410	353
1978	372	389	628	315	410	353
1979	379	438	628	315	410	353
1980	387	479	628	315	410	353

APPENDIX E-2

RESIDENCE HALLS

Estimated fee per residence hall student with 10% vacancy for operating costs, (as defined in the report) to cover estimated operating costs consolidated for the total system compared with fee per residence hall student to cover estimated operating expenses of residence halls at that College only.

		Individual College Only				
	Consolidated Fee per Residence	Fee per Residence Hall Student				
Year	Hall Student	BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	290	313	0	287	302	273
1968	339	365	0	352	367	285
1969	363	386	0	374	392	297
1970	379	404	0	392	420	303
1971	431	449	0	435	497	336
1972	445	468	0	453	513	344
1973	462	488	0	473	534	354
1974	478	489	0	492	554	368
1975	532	545	0	567	618	407
1976	553	559	0	590	642	423
1977	579	583	0	615	670	447
1978	600	602	581	641	698	458
1979	626	624	626	668	729	478
1980	653	649	633	697	761	498

APPENDIX E-3

RESIDENCE HALLS

Estimated fee per residence hall student with 10% vacnncy for bond debt service <u>and</u> operating costs consolidated for total system compared with fee per residence hall student with individual College paying bond debt and operating expenses at that College only.

YEAR Year	Consolidated: Room Fee Per Residence Hall Student	Individual College Only: Room Fee Per Residence Hall Student — BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	290	313	0	287	302	273
1968	389	365	0	427	461	285
1969	464	386	0	509	565	297
1970	537	404	0	572	647	303
1971	623	449	0	650	777	437
1972	675	468	0	698	821	445
1973	723	488	0	744	866	525
1974	775	701	0	786	907	631
1975	852	757	0	882	991	704
1976	895	875	0	905	1034	749
1977	937	899	0	930	1080	800
1978	972	991	1209	956	1108	811
1979	1005	1062	1254	983	1139	831
1980	1040	1128	1261	1012	1171	851

APPENDIX E-4

RESIDENCE HALLS

Estimated fee per residence hall student with 10% vacancy for bond debt service and operating costs consolidated for total system compared with consolidated fee per residence hall student for bond service debt plus fee per student for operating costs by individual College.

Year	Consolidated Room Rate Per Residence Student	Individual College Only Room Rate per residence student with consolidated bond service debt plus operating expense of individual College BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	290	313	0	287	302	273
1968	389	415	0	402	417	335
1969	464	487	0	475	493	398
1970	537	562	0	550	578	461
1971	623	641	0	627	689	528
1972	675	698	0	683	743	574
1973	723	749	0	734	795	615
1974	775	786	0	789	851	665
1975	852	865	0	887	938	727
1976	895	901	0	932	984	765
1977	937	941	0	973	1028	805
1978	972	974	953	999	1056	816
1979	1005	1003	1005	1047	1108	857
1980	1040	1036	1020	1084	1148	885

APPENDIX F-1

DINING HALLS

Estimated fee per boarding student and non-boarding student with 10% vacancy for dining hall bond debt retirement and debt service for total system compared with fee if each College computed separately.

(This chart DOES NOT include operating costs)

Year	Consolidated Cost/Student		BOWIE		COPPIN		FROSTBURG		SALISBURY		TOWSON	
			Cost/Student - Individual College									
	B*	NB*	B	NB	B	NB	B	NB	B	NB	B	NB
1967	0	0	0	0	0	0	0	0	0	0	0	0
1968	0	0	0	0	0	0	0	0	0	0	0	0
1969	0	0	0	0	0	0	0	0	0	0	0	0
1970	7	3	0	C	0	0	0	0	43	15	0	0
1971	13	5	0	0	0	47	0	0	39	12	0	0
1972	24	8	120	40	0	44	0	0	34	11	0	0
1973	33	11	101	34	0	42	0	0	29	9	29	10
1974	30	10	78	26	0	39	0	0	26	9	26	9
1975	27	9	67	23	0	37	0	0	24	7	23	8
1976	28	10	54	18	0	34	0	0	43	14	21	7
1977	36	12	76	26	0	32	0	0	39	13	23	8
1978	35	12	66	22	69	24	0	0	39	13	23	8
1979	34	12	56	19	68	23	0	0	38	12	23	8
1980	32	11	47	16	65	22	0	0	38	12	23	8

*B-Boarding Student
NB-Non-Boarding Student

APPENDIX - F-2

DINING HALLS

Estimated boarding fee per student with 10% vacancy for dining hall (bond debt payment plus operating costs) for total system compared with boarding fee per student if each College computed separately.

		Individual College Only				
	Consolidated Fee/Boarding		Fee per Boarding Student			
Year	Student	BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	425	425	0	425	365	435
1968	505	505	0	505	446	537
1969	536	536	0	536	479	577
1970	569	562	0	562	549	609
1971	635	622	0	622	605	682
1972	672	768	0	648	630	717
1973	710	778	0	677	658	786
1974	735	783	0	705	688	822
1975	839	879	0	812	795	949
1976	856	882	0	828	837	974
1977	881	921	0	845	857	1004
1978	899	930	933	864	882	1033
1979	924	946	958	890	907	1063
1980	949	964	982	917	933	1094

APPENDIX F-3

DINING HALLS

Estimated fee per boarding student with 10% vacancy for dining hall bond debt consolidated and operating expenses by individual Colleges.

Year	BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	425	0	425	365	435
1968	505	0	505	446	537
1969	536	0	536	479	577
1970	569	0	569	513	616
1971	635	0	635	579	695
1972	672	0	672	620	741
1973	710	0	710	662	790
1974	735	0	735	692	826
1975	839	0	839	798	953
1976	856	0	856	822	981
1977	881	0	881	854	1017
1978	899	899	899	878	1045
1979	924	924	924	903	1074
1980	949	949	949	927	1103

APPENDIX - G

COLLEGE CENTERS

Estimated fee per regular full-time student for bond debt service of College Centers consolidated for total system compared with fee per student for bond debt service if each College computed separately.

Year	Consolidated fee per Student	Individual College Only — Fee per Student: BOWIE	COPPIN	FROSTBURG	SALISBURY	TOWSON
1967	0	0	0	0	0	0
1968	13	0	0	68	0	46
1969	36	0	0	54	0	42
1970	33	0	0	49	0	38
1971	30	0	0	45	0	34
1972	36	80	0	42	0	31
1973	40	64	0	40	79	28
1974	41	53	76	40	72	51
1975	51	44	71	40	65	47
1976	56	37	66	40	58	44
1977	52	79	61	40	53	44
1978	50	68	58	40	52	44
1979	48	59	56	40	49	44
1980	46	49	53	40	48	44