



OLR RESEARCH REPORT

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TUITION REVENUE BONDS

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You asked for a description of tuition revenue bonds and whether Connecticut and other states authorize their use.

SUMMARY

Tuition revenue bonds are bonds that colleges and universities use to finance capital projects. The bonds are secured by a pledge of the institutions' tuition revenue. In this way, they are distinct from other higher education revenue bonds, which are secured by project-specific revenues (e.g., dining or housing fees).

Several states, including Connecticut, allow tuition revenue bonds. In Connecticut, however, most public higher education projects are secured either with the state's full faith and credit or a debt service commitment. The state uses revenue bonds for higher education much less frequently, and when it does, they are typically supported by fees, rather than tuition.

TUITION REVENUE BONDS

Connecticut

The law authorizes both UConn ([CGS § 10a-109g](#)) and the Connecticut State University System (CSUS) ([CGS § 10a-89b](#)) to pledge tuition payments to secure revenue bonds. However, Connecticut has made relatively limited use of tuition-secured bonds or any other type of

revenue bonds for higher education. The state finances most of its public higher education projects either by (1) general obligation (GO) bonds, which are backed by the state's full faith and credit or (2) in the case of UConn 2000 projects, bonds secured by a debt service commitment (GO-DSC bonds).

For example, UConn is authorized to issue revenue bonds under UConn 2000 and has used them to finance projects such as dormitories and parking garages. However, UConn has relied on the revenue bonds, which were supported by fees, much less than it has the GO-DSC bonds. According to the university, as of April 30, 2013, debt service (both paid and unpaid) on UConn 2000 revenue bonds was approximately \$351.3 million, compared with a debt service of \$2.34 billion on GO-DSC bonds.

Another source of revenue bonds is the Connecticut Health and Educational Facilities Authority (CHEFA). CHEFA is a quasi-public agency that issues tax-exempt bonds to finance capital projects for health care institutions, higher education institutions, nursing homes, and other nonprofit organizations.

Among public higher education institutions, only CSUS has financed projects with CHEFA bonds. (Authority for UConn and the community-technical colleges was established by PA 12-149.) CSUS funds CHEFA projects with system-wide and campus-specific student fees and housing fees. However, most of the system's capital projects are financed with GO bonds.

Other States

We were unable to find a comprehensive list of states that permit the use of tuition revenue bonds. However, in 2012, the Florida Board of Governors for Higher Education surveyed 14 states and identified 10 that permit at least some public higher education institutions to pledge tuition revenue to secure bonds: Arizona, California, Illinois, Massachusetts, North Carolina, Ohio, Oklahoma, South Carolina, Texas, and Washington. We found several other states that allow this practice in addition to those listed in the report, including Arkansas, Colorado, Iowa, Kentucky, Michigan, and Virginia. Additionally, we identified at least two states (Iowa and Texas) where the universities receive state appropriations to cover their debt service payments for tuition revenue bonds.

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