

HBCU Capital Financing Advisory Board Meeting
Tuesday, April 3, 2018
10:00 a.m.–2:00 p.m., Central Daylight Time
Room 313 (Bowden Alumni Center)
Sutton Learning Center Building
St. Philip's College
1801 Martin Luther King Drive
San Antonio, TX 78203

MINUTES

Draft—These minutes are not official until approved by the Advisory Board in a future meeting.

Call to Order and Roll Call

Dr. Beverly Hogan called the meeting to order at 10:05 a.m. Members in attendance upon roll call were David Beckley, Beverly Hogan, David Hall, Adena Williams Loston, Perry Ward, Lodriguez Murray, Harry Williams, and Johnathan Holifield. There was a quorum.

Welcome

Mr. Adam Kissel, Designated Federal Official, welcomed the group. The group thanked Dr. Loston and St. Philip's College for hosting.

Approval of December 2, 2017, Meeting Minutes

The minutes from December 2, 2017, were approved by voice.

Director's Report

Mr. Donald Watson, Director of the HBCU Capital Financing Program, highlighted material from the written Director's Report.

Since September 2005, Barber Scotia College's bond payments have been made using funds deposited in the escrow account by other Program participants. Mr. Murray asked whether the college still has a chance to recover. Mr. Watson replied that over the years, he has seen recovery plans, but they have not translated into action. The college also has FSA debt and state debt. The Presbyterian Church has provided about \$250,000 to keep the lights on. Dr. Ward asked if potential buyers have come forward. Mr. Watson replied that a developer has shown interest. Dr. Beckley asked if the time has come for the Department of Education to take ownership of the property. Mr. Watson replied that foreclosing would cost money and entail various ongoing costs such as maintenance and insurance. The Department continues to meet with officials at the school as buyers are being sought. Dr. Hogan stated that the Department has made the right choice not to take ownership. Dr. Hall asked about the present value of the property. Mr. Watson replied that the value was about \$14 million about 7 years ago, but the property appears to have deteriorated since then.

Mr. Murray moved that the Advisory Board approve the Department's current course. Mr. Holifield seconded. Dr. Beckley stated that there should be a timeline in order to increase pressure on the parties. The original motion passed by voice. Discussion of this matter continued. Mr. Watson said he views the property about twice a year and that the owners can do whatever they choose with their own property.

Mr. Watson updated the Advisory Board on the work of the Government Accountability Office (GAO), which is investigating any barriers that might be facing HBCUs when financing capital projects. GAO has been developing recommendations.

Mr. Watson reported on the HBCU Capital Financing Program's operations. Operations are on track. Public HBCUs are accessing more funds than private HBCUs this year. The principal of a loan goes down slowly at first and then much more quickly over time, which can lead journalists to assume incorrectly that the program is not on track even when most borrowers are paying down their loans.

Update on Advisory Board's December 2017 Recommendations

Mr. Watson stated that most of the recommendations require statutory change and that the Department continues to discuss opportunities to provide technical assistance to Congress.

Mr. Kissel stated that the Department has acted on the recommendation to increase program staffing by moving forward on one additional hire of a financial specialist to join Mr. Watson. In addition, Mr. Kissel has requested an additional waiver to the Department's hiring freeze in order to add a third financial specialist to the program staff.

Setting Dates and Locations for 2018 Meetings

Dr. Hogan suggested that the next in-person meeting be held in Washington, D.C., at the time of the annual White House Initiative HBCU conference. Mr. Holifield stated that the conference is tentatively scheduled for September 16–19, 2018. Other related events are expected to occur around the same time, such as meetings related to the Congressional Black Caucus on September 19–20.

Members informally agreed that the next meeting should be Sunday, September 16, 1–4 pm, in D.C.

Board Discussion: Recommendations to the Secretary and Congress

2018 Deferment Authority

In interpreting Congress's appropriation of \$10 million for deferments of Program loans to private HBCUs, Mr. Murray stated that the allocation should be treated like a Title III grant program by providing \$10 million of deferment each year. Dr. Hogan asked how many institutions are likely to be eligible. Mr. Watson replied that 6 or 7 appear to be eligible although funds are available for only 1 or 2 institutions. Mr. Watson stated that an open question is how to handle applicants with delinquent payments. Mr. Watson also stated that an HBCU that has not submitted an audit in 2018 has no composite score that the Department could use to determine eligibility. Late audits may present a problem for potential applicants.

Mr. Murray stated that potential applicants are in a precarious position, so the deferment process should focus on the maximum, fastest impact, for example, by prioritizing applicants in their second year of accreditation probation. Dr. Loston asked what the \$10 million covers. Mr. Watson replied that deferment is for payment of interest only.

Mr. Watson stated that an application form would be made public. Mr. Murray stated interest in helping. Dr. Beckley stated that the law's requirements are clear—that the appropriation is for \$10 million one time—and that the Department's form must reflect the law.

Dr. Hogan moved that the Department be advised to (1) use the law's criteria as a floor; (2) schedule an Advisory Board meeting by phone to discuss the application form. Dr. Beckley seconded. The motion passed by voice.

The Board adjourned for lunch at 12:05 p.m. and reconvened at 1:05 p.m. Roll call was taken. Members present at the time of roll call were David Beckley, Beverly Hogan, Adena Williams Loston, Perry Ward, Lodriguez Murray, Harry Williams, and Johnathan Holifield. There was a quorum.

Short-Term Line of Credit

Mr. Watson stated that he has heard about this idea from time to time. Dr. Beckley asked whether this is an issue that the Advisory Board should enter into. No further discussion occurred.

Public Comment

Dr. Hogan opened the floor to public comment. No public comments were given.

Concluding Remarks and Adjournment

Dr. Hogan and other Advisory Board members again thanked Dr. Loston and St. Philip's College for hosting. The Board adjourned at 1:17 p.m.