New Approaches to Debt Financing.

Levitz, Larry; And Others

Capital Ideas, v2 n1 Jun 1987

The use of tax-exempt and taxable bonds by colleges and universities to raise capital is discussed. Currently, the most common tax-exempt instrument issued by higher education institutions is the revenue bond. Until the early 1980s the most common form of tax-exempt financing was long-term fixed-rate debt. Variable or floating rate debt became popular during the early 1980s in response to the high interest rates of the late 1970s. Historically, capital projects were financed with long-term debt (maturities of 20 years or more). Shorter maturities are structured as serial maturities and longer maturity bonds as term bonds. Most higher education general obligation debt is sold on a competitive, rather than a negotiated, basis. Refunding is a means of issuing new debt to refinance existing debt. Taxable debt instruments include taxable commercial paper, medium-term notes, U.S. domestic public market, private placement, and foreign currency denominated municiples. Advantages and disadvantages of each type of taxable and tax-exempt bonds are identified. The use of a debt-service reserve fund is also briefly addressed. (SW)

Descriptors: Debt (Financial), Educational Finance, Federal Legislation, Finance Reform, Financial Policy, Higher Education, Public Policy, Taxes

ERIC Number: ED288434

Record Type: Non-Journal

Publication Date: 1987-Jun

Pages: 9

Abstractor: N/A

ISBN: N/A

ISSN: N/A

EISSN: N/A

Publication Type: Collected Works - Serials; Opinion Papers

Education Level: N/A

Audience: N/A

Language: English

Sponsor: Office of Educational Research and Improvement (ED), Washington, DC.

Authoring Institution: Forum for College Financing Alternative.

Grant or Contract Numbers: N/A