



CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA) WORKING CAPITAL LOANS

THE OPPORTUNITY - Expanded Use of Bond Program for Working Capital

CEFA's Bond Financing Program provides eligible private, nonprofit higher education facilities access to the capital markets through the issuance of tax-exempt and taxable revenue bonds, enabling borrowers to secure financing at a lower cost of capital. Bond proceeds may be used for a broad range of purposes, including new construction and renovation, land acquisition, facility acquisition, refinancing of existing debt, working capital, and costs of issuance.

Historically, borrowers have primarily used the Bond Financing Program to finance capital projects. However, working capital financings also support day-to-day operations, such as payroll, rent, inventory, and utilities. Access to affordable working capital is critical to maintaining operational continuity, particularly during periods of financial stress, enrollment fluctuations, or organizational change.

Historically, working capital financings through CEFA's Bond Financing Program were limited to being financed as part of a larger capital project. Chapter 123, Statutes of 2022 (AB 2272, Low) eliminated this limitation. This statutory change allows eligible higher education facilities to incorporate borrowing for working capital financings into bond issuances for capital projects or to pursue stand-alone working capital financings through CEFA. As a result, CEFA is now better positioned to serve as a comprehensive, one-stop financing resource for higher education facilities seeking both short-term liquidity and long-term capital support.

WHO CAN BORROW

To qualify for a working capital financing through CEFA's Bond Financing Program, a borrower must:

- Be regionally accredited by the Western Association of Schools and Colleges;
- Be a private, nonprofit, postsecondary degree granting educational institution located in California or that has educational facilities in California;
- Offer a broad curriculum in secular subjects;
- Have been operating for a minimum of three years and provide three years of audited financial statement; and
- Demonstrate sufficient revenue to cover debt service on the proposed financing.

CEFA evaluates eligibility based on the borrower's overall creditworthiness, including pledged revenues and/or other collateral and debt service coverage.

WHAT CAN BE FINANCED

Bond proceeds may be used to finance maintenance or operating expenses, or other costs treated as expense items under generally accepted accounting principles, in connection with the ownership or operation of an educational facility, faculty or staff housing, or student housing. Eligible costs include, but are not limited to:

- Operating expenses;
- Operating reserves;
- Debt service on working capital loans;
- Debt service reserves; and
- Costs necessary or incidental to the financing.

Federal tax laws impose restrictions on the use of long-term, tax-exempt debt financing for working capital. Consultation with a qualified bond counsel is strongly recommended before pursuing this type of tax-exempt financing.

AMOUNT AND TERM OF FINANCING

No upper limit on the amount of financing. Terms of up to 50 years, subject to the useful life of what is being financed.

FINANCING FEES

CEFA charges the following fees:

- **Application Fee:** A non-refundable \$1,000 fee must be submitted with the application and will be applied toward the Initial Fee at closing.
- **Initial Fee:** 0.15% of the par amount of the bond issuance, falling to 0.05% on amounts above \$10 million
 - Capped at \$75,000
- **Annual Fee:** 0.015% of bonds outstanding
 - Annual maximum of \$12,000
 - Over time, the annual fee decreases because it is calculated based on the outstanding bond amount rather than the original par amount.

Other financing costs include legal, financial advisor, and trustee fees.

First-Year Fee Example (for a \$100 million bond issuance):

Applicant Type	Issuance Amount	CEFA Initial Fee	CEFA Annual Fee
Private, Non-profit Higher Education Facility	\$100 million	\$60,000	\$12,000

APPLICATION

Simple loan application.