

SPECIAL REPORT

SPEAKING OUT ABOUT THE RISING COST OF EDUCATION

THE COSTS OF CREATIVE FINANCING

Speaking out about the Rising Cost of Education, Creative Financing continues with a discussion of the real costs of off-balance sheet financing. Part 3 of this series discussed off balance sheet financing. Off balance sheet financing such as that used for the Southern Miss parking garage is typically designed to conceal debt and make it easier to borrow more money. How much money has Southern Miss “borrowed” by way of off balance sheet financing? Let’s look at the costs of the parking garage.

According to [David Tisdale’s press release](#) when the structure was opened, “[v]ehicle registration fees fund the construction cost of the \$15.5 million structure, financed through the university’s first public/private third party construction partnership.” In return for 1200 parking slots, Southern Miss entered into an agreement for a monthly lease payment to its private partners in the amount of \$77,753. This payment is to be made by USM, reportedly using parking registration fees paid mainly by USM students, not to exceed 372 months (31 years). The annual payment is set at \$933,030, while the cumulative payment may ultimately be a little more than \$28.9 million (assumes 31 years of payments). In short, this creative financing provides a generous return on investment to the “private third party construction partnership” of \$13.4 million dollars.

If you have a [vehicle on campus](#), whether you use one of the 1200 parking spots or not you are currently charged:

Annual registration fees for parking permits:	
Faculty/Staff Employees making \$24,000 or less	\$81
Faculty/Staff Employees making \$24,000 or more	\$135
Students/Handicap	\$135

Starting in the 2009-2010 school year, long before the yellow ribbon was cut on April 7, 2011, students were handed a jump from \$50 per year to a whopping \$135 dollars or a roughly 250 percent increase in the cost of parking – a rather expensive photo opp for then-President Saunders.



We can't help but wonder what this building will be worth in 31 years? Sources report the recent tornado damaged it. Although initial reports indicated that with the exception of a \$100,000 deductible, there would be enough insurance to pick up the tab. However, over recent months that [pesky little problem](#) of deductibles and coverage has called that claim into question. Whatever the answer, have no doubt that students, faculty and staff will continue to pay for this creatively financed structure.