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Higher Education Facilities Authority

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AT A GLANCE

- The Minnesota Higher Education Facilities Authority (MHEFA) assists nonprofit institutions of higher education in financing capital projects through the issuance of tax-exempt debt
- MHEFA is authorized to have a maximum total of \$1.3 billion outstanding bond principal
- In FY 2018 MHEFA issued bonds for 4 new projects and refinanced 6 previously financed projects with a total of \$271,673,000 in bonds issued
- Total bond principal outstanding at 6/30/2018 was approximately \$929 million
- 21 nonprofit, post-secondary institutions in Minnesota have utilized MHEFA’s program and realized interest savings on financing capital improvements.

PURPOSE

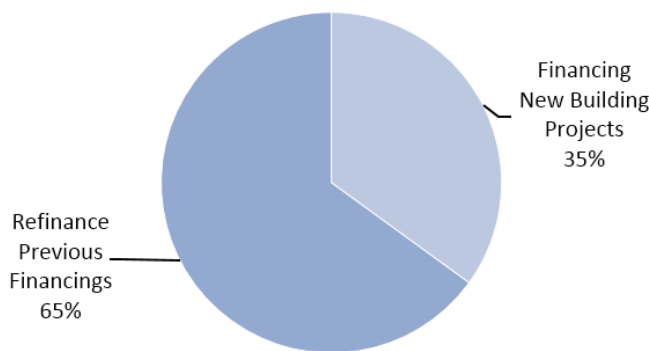
The Higher Education Facilities Authority (MHEFA) was created by the state legislature (136A.25- 136A.42) in 1971 to assist nonprofit institutions of higher education throughout Minnesota with financing or refinancing capital construction projects by issuing tax exempt revenue bonds. MHEFA receives no general fund tax dollars or any legislative appropriations. The operating funds come from fees charged to the institutions that benefit from the financings. MHEFA operates with the advice and leadership of a board of ten people. Eight are appointed by the Governor, one member is a representative from the MN Office of Higher Education and one member is the President of the MN Private College Council. The staff consists of two full-time employees.

MHEFA work contributes to the following statewide outcome:

- Minnesotans have the education and skills needed to achieve their goals

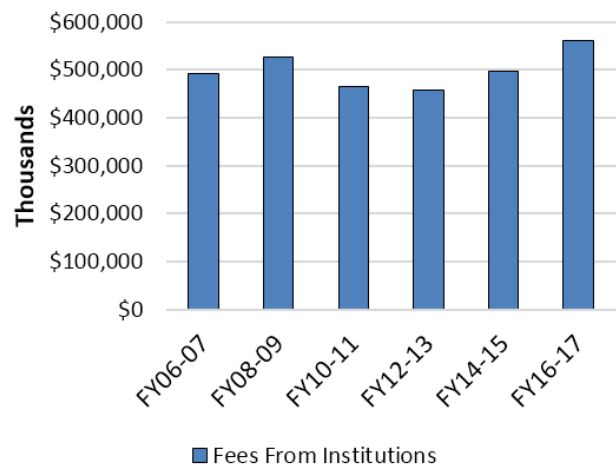
BUDGET

**\$480,081,000 Bonds Issued
FY 2017-2018**



Source: FY2017 Annual Report/FY2018 MHEFA Financials

Historical Spending



Source: Budget Planning & Analysis System (BPAS)

STRATEGIES

MHEFA is authorized to issue tax-exempt bonds for private post-secondary institutions in Minnesota. In 1988, the legislature gave MHEFA additional authority to issue bonds for very limited projects at public higher education

institutions. MHEFA is authorized to have up to \$1.3 billion of outstanding bonds. The outstanding principal as of June 30, 2018 is approximately \$929 million. MHEFA issues tax exempt revenue obligations and enters into agreements with higher education institutions to be responsible for the use of the loan proceeds and to repay the bondholders. The State of Minnesota or MHEFA have no liability to repay bondholders.

MHEFA also provides education for its constituents on the process of issuing tax exempt bonds and provides support on secondary market disclosure and post issuance compliance requirements.

RESULTS

Since its creation in 1971, MHEFA has completed 229 bond issues totaling over \$2.8 billion. There has never been a default in payment on any bonds issued. Operational efficiencies are used to keep the expenses low, thereby keeping the fees low. MHEFA has been able to provide a consistent and efficient process for obtaining tax-exempt financing and has educated the institutions through newsletters, one-on-one information sessions, and an annual educational conference on market, legal and accounting considerations of tax-exempt debt financing. The nonprofit colleges and universities of Minnesota have facilities that offer an education competitive with other educational institutions in the nation. Many students that are educated in Minnesota stay in the state after graduation and provide a well-educated workforce.

Type of Measure	Name of Measure	Previous	Current	Dates
Quantity	Tax exempt bonds issued for private post-secondary institutions	208,408,000	271,673,000	FY 2017 & FY 2018
Quality	Percentage of Administrative cost to amount issued	.02%	.02%	FY 2017 & FY 2018

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
6000 - Miscellaneous Agency	267	294	228	260	270	280	270	280
Total	267	294	228	260	270	280	270	280
Biennial Change				(73)		62		62
Biennial % Change				(13)		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
<u>Expenditures by Program</u>								
Higher Ed Facilities Auth	267	294	228	260	270	280	270	280
Total	267	294	228	260	270	280	270	280
<u>Expenditures by Category</u>								
Compensation	267	294	228	260	270	280	270	280
Total	267	294	228	260	270	280	270	280
<u>Full-Time Equivalent</u>								
	2.00	1.87	2.00	2.00	2.00	2.00	2.00	2.00

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
6000 - Miscellaneous Agency								
Receipts	267	294	228	260	270	280	270	280
Expenditures	267	294	228	260	270	280	270	280
Biennial Change in Expenditures				(73)		62		62
Biennial % Change in Expenditures				(13)		13		13
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.00	1.87	2.00	2.00	2.00	2.00	2.00	2.00

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
<i>Dedicated</i>				
Fund: 6000 - Miscellaneous Agency				
Planned Spending	260	270	280	550
Forecast Base	260	270	280	550
Total Governor's Recommendations	260	270	280	550
 <i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	260	270	280	550
Total Governor's Recommendations	260	270	280	550