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Higher Education Facilities Authority

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<https://www.mnhefa.org>

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 and taxable debt in the form of bonds and private bank notes.
- Since 1971, 24 nonprofit, post-secondary institutions in Minnesota have utilized MHEFA's program 253 times to realize interest savings on financing capital improvements.
- The legislature increased MHEFA's authorized maximum outstanding principal from \$1.3 billion to \$2 billion as of July 1, 2024.
- Total principal outstanding on 6/30/2024 was approximately \$1.27 billion.
- In FY 2024, MHEFA issued one bank note and five bond series (two of which were assigned Green Bond designation).

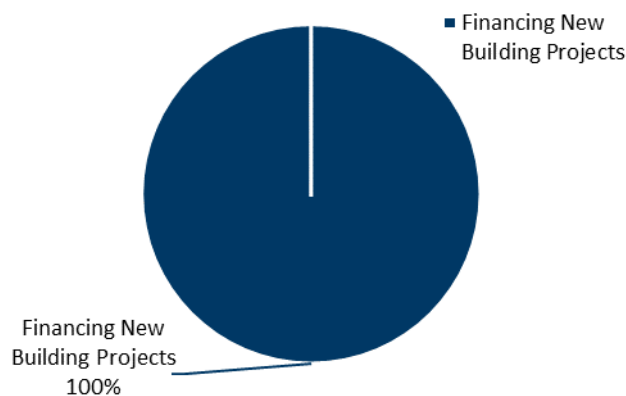
PURPOSE

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 revenue bonds and notes. MHEFA does not receive any general fund tax dollars or any legislative appropriations. Operating funds come from fees charged to the institutions that benefit from the financings and investment earnings. MHEFA operates under the leadership of a ten-member board of directors, eight of whom 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 financing activity contributes to educating significant numbers of Minnesota residents and results in a savings of tax money for non-profit, post-secondary institutions.

BUDGET

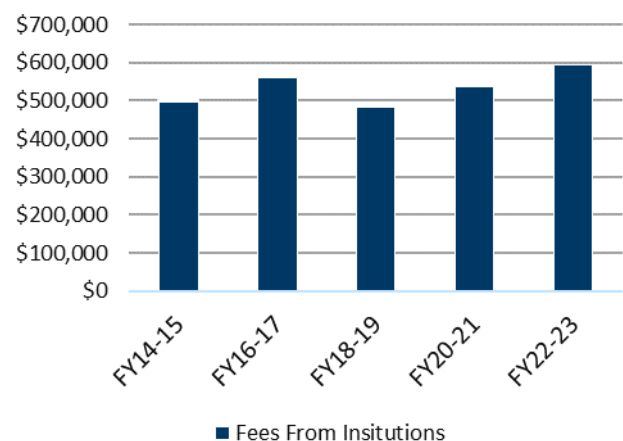
\$18,373,000 Bonds and Notes Issued FY 2023



All financings were new projects. MHEFA did not assist with any refinancing projects during FY2023.

Source: FY2023 MHEFA Annual Report

Historical Spending



Source: MHEFA Financials/MMB Payroll Reports

STRATEGIES

MHEFA is authorized to issue tax-exempt and taxable bonds and private bank notes for private post-secondary institutions in Minnesota. In 1988, the legislature gave MHEFA additional authority to issue bonds and notes for limited scope of projects at public higher education institutions. In 2024, the legislature increased the limit on bonds MHEFA may issue from \$1.3 billion to \$2 billion. The outstanding principal as of June 30, 2024, is approximately \$1.27 billion. MHEFA issues tax-exempt and taxable revenue obligations and enters into agreements with higher education institutions to be solely responsible for the use of the loan proceeds and to repay the bondholders or noteholders. Neither the State of Minnesota nor MHEFA have any express, implied, or moral liability to repay bondholders or noteholders.

MHEFA also provides education for its constituents on the process of issuing tax exempt bonds and notes, assists with credit rating agency relations, provides support on secondary market disclosure, and post issuance compliance matters.

RESULTS

Since its creation in 1971, MHEFA has completed 253 bond and note issues totaling over \$3.5 billion. There has never been a default in payment on any bonds or notes issued. Operational efficiencies are used to keep expenses low, thereby keeping fees low. MHEFA provides a consistent and efficient process for obtaining financing and has educated the institutions through newsletters, e-mails, one-on-one information sessions, and an annual educational conference on market, legal, and accounting considerations of tax-exempt and taxable 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.

Measure name	Measure type	Measure data source	Historical Trend	Most Recent Data
MHEFA Bonds and Notes issued for private post-secondary institutions	Quantitative	MHEFA Annual Report/MHEFA Financials	FY2023: \$18,373,000	FY2024: \$266,120,000
Percentage of administrative cost to amount issued	Qualitative	MHEFA Financials/ Calculation	FY2023: 1.68%	FY2024: .01%
Approximate annual tax-exempt interest savings for private post-secondary institutions	Results	MHEFA Financials/ Calculation	FY2023: \$137,797	FY2024: \$3,326,500

M.S. 136A.25-136A.42 provides the legal authority for MHEFA.

(Dollars in Thousands)

	Actual FY22	Actual FY23	Actual FY24	Estimate FY25	Forecast Base		Governor's Recommendation	
					FY26	FY27	FY26	FY27

Expenditures by Fund

6000 - Miscellaneous Agency	286	309	325	380	380	380	380	380
Total	286	309	325	380	380	380	380	380
Biennial Change				110		55		55
Biennial % Change				19		8		8
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Higher Ed Facilities Auth	286	309	325	380	380	380	380	380
Total	286	309	325	380	380	380	380	380

Expenditures by Category

Compensation	286	309	325	380	380	380	380	380
Total	286	309	325	380	380	380	380	380

Full-Time Equivalents

	2.00	2.08	2.00	2.00	2.00	2.00	2.00	2.00
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(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY22	FY23	FY24	FY25	FY26	FY27	FY26	FY27
6000 - Miscellaneous Agency								
Balance Forward In	0							
Receipts	286	309	325	380	380	380	380	380
Expenditures	286	309	325	380	380	380	380	380
Biennial Change in Expenditures				110		55		55
Biennial % Change in Expenditures				19		8		8
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.00	2.08	2.00	2.00	2.00	2.00	2.00	2.00

(Dollars in Thousands)

	FY25	FY26	FY27	Biennium 2026-27
<i>Dedicated</i>				
Fund: 6000 - Miscellaneous Agency				
Planned Spending	380	380	380	760
Forecast Base	380	380	380	760
Total Governor's Recommendations	380	380	380	760
<i>Revenue Change Summary</i>				
<i>Dedicated</i>				
Fund: 6000 - Miscellaneous Agency				
Forecast Revenues	380	380	380	760
Total Governor's Recommendations	380	380	380	760