

Agency Purpose

The Minnesota Higher Education Facilities Authority (hereafter called the Authority) was created by the state legislature in 1971 to assist nonprofit institutions of higher education within the state in financing or refinancing capital construction projects by issuing tax-exempt revenue bonds. Beginning in FY 1988, the legislature also asked that the Authority finance limited types of projects at certain public higher education institutions. The Authority receives no General Fund tax dollars or any other legislative funding. The operating funds come from fees charged to the institutions that benefit from tax-exempt bonds.

Core Functions

The Authority operates under a board of ten members, eight of whom are appointed by the governor with the advice and consent of the senate. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council are the two ex-officio members of the Authority.

The Authority 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 Authority has access to capital improvement funds only through borrowing directly. When a higher education institution needs funds for capital improvements, the Authority is able to provide more favorable interest rates because of its status as a government entity. Since the Authority is an agency of the state, the interest paid by the institution to the bondholders is exempt from both state and federal income taxes. The Authority has no liability to repay the bondholders.

Core functions support the goal of issuing tax-exempt revenue obligations in an efficient and cost-effective manner for higher education institutions. The core functions are:

- ◆ develop Authority expertise and educate institutions on financing options;
- ◆ provide analysis and consulting in developing institutional capital financing options; and
- ◆ manage Authority operations without increasing fees.

These functions support ongoing operating goals to:

- ◆ provide a consistent and efficient process for obtaining tax-exempt financing;
- ◆ educate institutions through the application guide, newsletters and annual educational forum on market, legal, and accounting considerations;
- ◆ provide specific analysis and consulting for institutional capital financing plans; and
- ◆ assist institutions with investor relations, post-closing compliance and rating agency reviews.

Operations

The Authority serves eligible higher education institutions throughout Minnesota by providing access to tax-exempt interest rates. Access to capital improvement funds is essential to the long-term viability of institutions dedicated to educating Minnesota's workforce. Students benefit because lower borrowing costs reduce the pressure to increase tuition costs.

At A Glance

The Higher Education Facilities Authority assists nonprofit institutions of higher education in financing capital projects through the issuance of tax-exempt debt.

- ◆ The Authority is authorized to have a maximum total of \$800 million outstanding bond principal.
- ◆ In FY 2004, the Authority completed four financings for a total of \$59 million.
- ◆ The total bond principal outstanding at June 30, 2004 was \$578 million.
- ◆ 21 nonprofit, post-secondary institutions in Minnesota have utilized the program of the Authority and realized interest savings on financing their capital improvements.

The Authority operates with the advice and leadership of a board of ten people and a staff of three people. The board meets monthly and acts incrementally on the application for financing and the financing structure of all bond issues. For each bond issue, a law firm is appointed by the Attorney General to serve as bond counsel. A financial advisor firm is retained by the Authority to advise on the financial feasibility and structure of each bond issue.

In general, except for payroll administration, the Authority's staff is responsible for all operations relating to the core functions. Staff receives minimal services from other state agencies (other than payroll and legal services). As a result, the Authority's operations have a neutral impact on the state's biennial budget and capital budget.

Budget

Operating expenses of the Authority are paid by a fee charged to each participating institution. The Authority receives no General Fund tax dollars or other legislative funding. The Department of Finance administers the three-person payroll using dedicated receipts deposited monthly by the Authority.

Contact

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Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Miscellaneous Agency	223	230	235	240	475
Total	223	230	235	240	475
<u>Expenditures by Category</u>					
Total Compensation	223	230	235	240	475
Total	223	230	235	240	475
<u>Expenditures by Program</u>					
Hgher Educ Fac Authr	223	230	235	240	475
Total	223	230	235	240	475
Full-Time Equivalentents (FTE)	2.4	2.8	2.8	2.8	