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2014-15 Governors Budget - Higher Education Facilities Authority

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Mission:

The mission of the Minnesota Higher Education Facilities Authority is to assist eligible institutions of higher education in the State of Minnesota in financing their capital needs in an efficient and cost-effective manner (see M.S.136A.25-136A.42).

Statewide Outcome(s):

Higher Education Facilities Authority supports the following statewide outcome(s).

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

Context:

MHEFA was created by the state legislature in 1971 to assist nonprofit institutions of higher education throughout Minnesota with financing or refinancing capital construction projects by issuing tax exempt revenue bonds (M.S. 136A.25-136A.42). Access to capital improvement funds is essential to the long-term viability of institutions dedicated to educating Minnesota's workforce.

MHEFA receives no general fund tax dollars or any other legislative appropriations. The operating funds come from fees charged to the institutions that benefit from the bonds. MHEFA operates with the advice and leadership of a board of ten people, eight of whom are appointed by the Governor, and two are ex officio members. The staff size was three employees, until three years ago, when it was reduced to two. With greater technological advances, the staff reduction has proved to be sustainable.

Strategies:

MHEFA is authorized to issue tax-exempt bonds for private post-secondary institutions in Minnesota. In 1988, the legislature gave MHEFA the 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, 2012 is approximately \$966 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 bond holders. MHEFA or the State of Minnesota has no liability to repay the 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, but the primary outcome is that the nonprofit colleges and universities of Minnesota have facilities that can offer an education that can compete with other educational institutions in the nation. Many of the students that are educated in Minnesota stay in the State after graduation and allow us to have a well-educated workforce.

Results:

MHEFA has issued 190 bond issues since 1971. There has never been a default in payment on any bonds issued. We practice operational efficiencies to keep our expense budget low and that has kept our 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. There are currently 64 bond issues outstanding for a total of \$966 million.

Performance Measures	Previous	Current	Trend
N/A	N/A	N/A	N/A

Performance Measures Notes:

N/A.

Higher Education Facilities Authority
Current, Base and Governor's Recommended Expenditures

(Dollars in Thousands, Biennial Totals)

	General Funds	Other State Funds	Federal Funds	All Funds
Current Biennium Expenditures (FY 2012-13)		\$492		\$492
Current Law Expenditures (FY 2014-15)		\$544		\$544
Governor's Recommended Expenditures (FY2014-15)		\$544		\$544
\$ Change from FY 2014-15 Current Law to Governor's Rec		\$0		\$0
% Change from FY 2014-15 Current Law to Governor's Rec		0%		0%

Higher Education Facilities Authority**Sources and Uses**

(Dollars in Thousands)

Biennium FY14-FY15				
	General Funds	Other State Funds	Federal Funds	Total Funds
REVENUE		\$544		\$544
SOURCES OF FUNDS		\$544		\$544
EXPENDITURES		\$544		\$544
PAYROLL EXPENSE		\$544		\$544
USES OF FUNDS		\$544		\$544

Higher Education Facilities Authority
All Funds FTE by Program

	Current	Forecast Base	Governor's Recommendation
Program	FY 2013	FY 2015	FY 2015
Program: Higher Ed Facilities Auth	1.8	1.8	1.8
Higher Education Facilities Authority	1.8	1.8	1.8

Higher Education Facilities Authority**Revenue Summary**

(Dollars in Thousands)

		Biennium FY14-15			
		General Fund	Other State Funds	Federal Funds	All Funds
Dedicated	ALL OTHER		544		544
	Subtotal		544		544
	Total		544		544