

Subject Higher Education Facilities Authority

Authors Bahner and others

Analyst Nathan Hopkins

Date March 19, 2025

Overview

The legislature created the Higher Education Facilities Authority in 1971 to provide nonprofit private postsecondary institutions with conduit financing for large-scale capital projects. Conduit financing allows nongovernment entities to access tax-exempt municipal bonds to finance capital projects that have a broader public benefit. Currently, the authority is empowered to issue revenue bonds, with a \$2 billion cap on aggregate outstanding amounts. The authority receives no funding from the state and the bonds it issues do not constitute a debt of the state. Rather, bonds issued by the authority are payable only from the loan repayments, rentals, collateral, and other revenues pledged for their payment; the operations of the authority are financed from fees paid by the participating institutions and investment income; and all bond issuance costs are paid by the participating institution. This means that the authority operates without any cost to the state or taxpayers.

This bill would expand the existing Higher Education Facilities Authority by empowering it to also provide conduit capital financing to nonprofit health care organizations. The authority is therefore renamed the “Minnesota Health and Education Facilities Authority.” The bill also increases the cap on aggregate outstanding bond amounts to \$5 billion, allocating \$2.25 billion to fund higher education projects and \$2.75 billion to fund health care projects.

Summary

Section	Description
---------	-------------

- | | |
|---|---|
| 1 | Creation.
Changes the name of the authority to the “Minnesota Health and Education Facilities Authority,” to reflect its expanded role. |
|---|---|

Section	Description
2	Memberships; officers; compensation; removal. Adds to the authority's board of directors an additional member who must be affiliated with a health care organization. Makes the CEO of an association of nonprofit health care organizations a nonvoting, advisory member of the authority.
3	Policy. Amends this section to reflect the expanded role of the authority.
4	Definitions. Adds new definitions for "affiliate," "health care organization," "educational facility," and "health care facility." Amends the current definition of "project." Makes other conforming changes to the definitions subdivision.
5	Purpose. Makes conforming changes to reflect the expanded role of the authority.
6	Employees; office space. Moves authority employees to the managerial compensation and benefits plan. Authorizes the authority to maintain an office space of its choosing.
7	Projects; generally. Requires authority-funded health care facility projects to comply with state laws regarding construction or modification of such facilities.
8	Revenue bonds; limit. Increases the total value of outstanding bonds the authority may issue from \$2 billion to \$5 billion, and allocates \$2.25 billion to fund higher education projects and \$2.75 billion to fund health care projects.
9	Revenue bonds; issuance, purpose, conditions. Makes conforming changes to reflect the expanded role of the authority.
10	Rules for use of projects. Makes conforming changes to reflect the expanded role of the authority.
11	Surety. Makes a grammatical correction.
12	Sale, lease, and disposal of property. Makes grammatical changes.

Section	Description
13	Loans. Makes conforming changes to reflect the expanded role of the authority.
14	Costs, expenses, and other charges. Clarifies the authority's ability to charge participating institutions for the authority's administrative expenses.
15	Determination of affiliate status. Empowers the authority to determine whether an entity meets the new definition of "affiliate," added in section 4 of the bill.
16	Bonds; generally. Adds a new requirement that, before issuing bonds to finance a health care facility, the authority obtain consent from the city or town where the facility will be located.
17	Provisions of resolution authorizing bonds. Clarifies that the authority may contract with multiple entities to secure payment of revenue bonds.
18	Health care certification. Requires a health care organization to affirm that, while authority financing for its project remains outstanding, it will not use bond proceeds to benefit any private party or private equity-funded entity.
19	Trust agreement. Makes grammatical changes.
20	Investment. Allows the authority to invest escrowed bond proceeds in money market funds that invest solely in federally guaranteed debt obligations.
21	Additional purpose; improvements. Makes a clarifying correction. Section 136A.32, subdivision 7, permits bond proceeds to be deposited in time deposits or invested in repurchase agreements of certain banks.
22	Revenues. Allows the authority to charge different rates for education projects than for health care projects. Makes grammatical and conforming changes.

Section	Description
23	Bonds eligible for investment. Makes grammatical changes.
24	Conflict of interest. Makes conforming changes to reflect the expanded role of the authority.
25	Annual report. Requires the authority's annual report to be sent to the Minnesota Historical Society and the Legislative Reference Library, instead of to the Office of Higher Education.
26	Revisor instruction. Recodifies statutes concerning the authority into a new statutory chapter, 15D, which is proximate to other chapters regarding state finance.
27	Repealer. Repeals a subdivision allowing the authority to colocate and share staff with the Office of Higher Education.



**MN HOUSE
RESEARCH**

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn.gov/hrd | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155