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**Public Facilities Authority**

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<https://www.mn.gov/pfa>

**AT A GLANCE**

- PFA manages revolving loan funds and grant programs to help local governments statewide build wastewater, storm water, drinking water and transportation infrastructure.
- Through June 30, 2024, PFA has made 1,283 loans to local governments totaling \$5.2 billion. These below-market-rate loans have provided an estimated \$1.0 billion in interest savings to local governments and their residents.
- Over the past ten fiscal years PFA has awarded \$533 million in grants to local governments based on affordability criteria and to address specific water quality goals and objectives.
- PFA has allocated \$94.8 million within its clean water revolving fund to nonpoint source loan programs administered by other agencies. The Minnesota Department of Agriculture’s Best Management Practices program and the Pollution Control Agency’s Clean Water Partnership program have used these funds and revolving loan repayments to provide \$383 million in low and no-interest loans to help landowners reduce nonpoint source pollution.

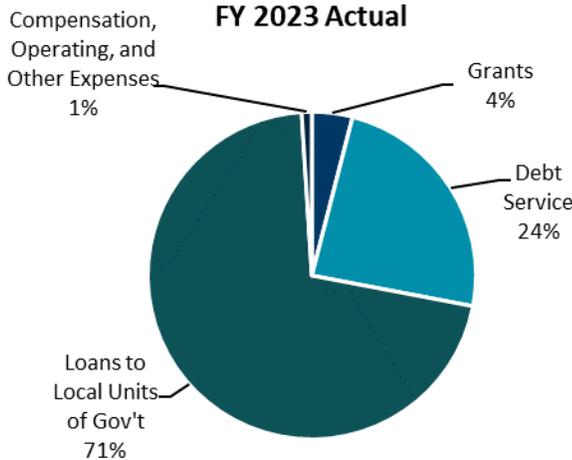
**PURPOSE**

The Minnesota Public Facilities Authority (PFA) is a multi-agency authority that provides financing and technical assistance to local governments for infrastructure projects that support a thriving economy and a clean, healthy environment. These projects support the *One Minnesota Plan* priorities of: Minnesota's Environment, and Healthy Minnesotans.

PFA priorities are to 1) manage revolving fund assets (currently \$2.1 billion) to ensure a stable source of infrastructure financing in perpetuity; 2) provide financing programs to support water quality, public health, and other priorities identified by PFA member agencies; and 3) help local governments maintain and improve the condition of their water infrastructure assets while keeping costs affordable for their residents.

**BUDGET**

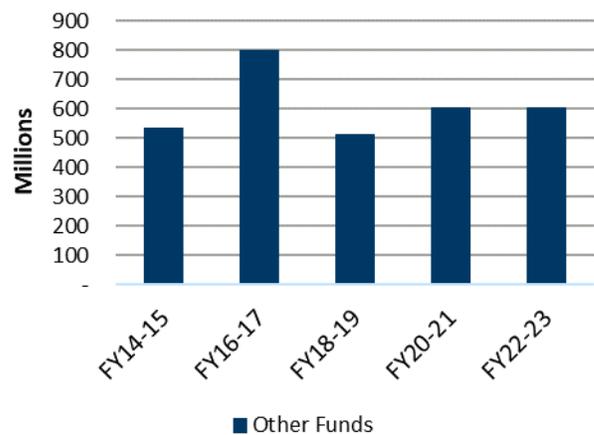
**Spending by Category  
FY 2023 Actual**



**Note:** Debt Service on PFA revenue bonds comes solely from PFA bond fund revenues (loan repayments and investment earnings).

Source: SWIFT

**Historical Spending**

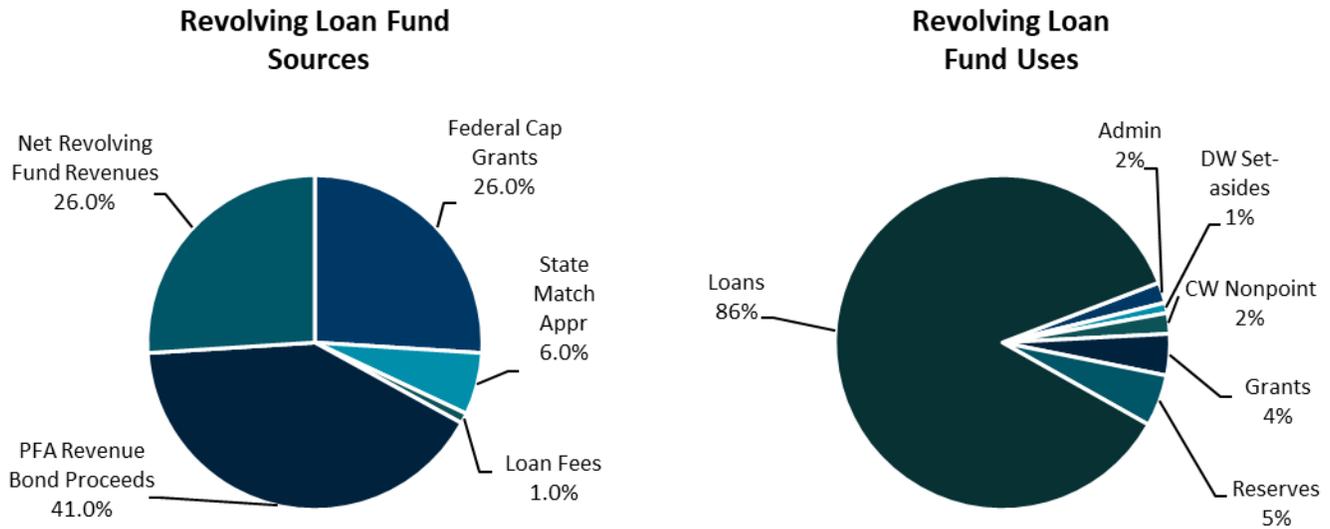


**Note:** FY 2016-2017 expended high due to early bond redemptions due to low market rates.

Source: Consolidated Fund Statement

PFA receives no general fund appropriations for administrative costs. PFA received a \$240 million one-time general fund appropriation from the 2023 legislature for the newly created program under 446A.077 for lead service line replacement. Revolving loan fund resources include federal grants and state matching appropriations from bond proceeds. These resources are leveraged by selling PFA AAA-rated revenue bonds. Other programs are funded with state appropriations from bond proceeds and from the Clean Water Legacy Fund. Administrative costs are paid from loan servicing and grant application fees.

**Sources and Uses to-date for PFA’s Clean Water (CW), Drinking Water (DW), and Transportation revolving loan funds**



*Notes: Revenues (loan repayments and investment earnings) are net of debt service on bonds.  
Source: PFA Internal records*

**STRATEGIES**

The PFA Board is composed of commissioners of the Departments of Employment and Economic Development, Minnesota Management and Budget, Health, Agriculture, Transportation, and the Pollution Control Agency. PFA manages its infrastructure financing programs to maximize economic, environmental, and public health outcomes. PFA partner agencies are responsible for determining project priorities, conducting technical and environmental reviews, and certifying approved projects to the PFA for funding.

PFA staff is responsible for determining that full project financing is in place and that the applicant has established dedicated revenues to pay debt service and operation and maintenance costs. When an application is approved and construction bids are accepted by the applicant, PFA executes a project financing agreement, disburses funds as eligible project costs are incurred, and collects loan repayments. During project planning and design stages, PFA coordinates funding activities with other state and federal partners to leverage resources and minimize duplication, administrative costs, and confusion for the applicants.

**RESULTS**

The PFA’s revolving loan funds are an efficient tool to provide low-cost financing to help local governments replace and improve water infrastructure systems to meet permit requirements, improve water quality, and protect public health. To date, each \$1 of state match funds has generated \$15 in construction funding and \$4 in interest savings to the communities and their residents. In addition, PFA’s upfront credit review and analysis of loan applications and systematic post loan award surveillance monitoring has helped borrowers achieve a record of no defaults on PFA loans.

Annual project funding is a function of fund availability and demand from local governments. Local government demand for funding varies significantly from year to year, driven by economic factors, the need to replace aging infrastructure, growth and development pressures, and more stringent treatment requirements. The PFA’s authority to issue revenue bonds allows it to leverage additional loan funds based on demand. PFA tax-exempt revenue bonds are rated AAA by all three major national rating agencies and are well received in the bond market.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Measure Data Source</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Loan Awards (count / \$ millions)	Agency grant and loan contracts data	189/ \$654	214/ \$1,030	2014-18; 2019-23
Quantity	Interest Savings on Loans (\$ millions)	Agency grant and loan contracts data	\$97	\$70	2014-18; 2019-23
Quantity	Grant Awards (count / \$ millions)	Agency grant and loan contracts data	169/ \$248	193/ \$400	2014-18; 2019-23

Note 1: Measures compare the five-year periods of state fiscal years 2014-2018 and 2019-2023.

Note 2: Sustained historically low market rates in the current five-year period resulted in significantly lower interest savings on loans.

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M.S. 446A (<https://www.revisor.mn.gov/statutes/?id=446A>) provides the legal authority for PFA.