

Date: March 17, 2025

To: Chairs and Members, House Capital Investment Committee

From: Steve Walter *Steve Walter*
MPFA Executive Director

RE: Elimination of Tax-Exempt Status for Municipal Bonds

The Minnesota Public Facilities Authority (MPFA) provides financial assistance to communities throughout the state for safe drinking water and clean (wastewater) infrastructure. The assistance includes grants and (primarily) low-interest loans. The below-market rate loans save the communities substantial interest over the life of the loans, benefitting user rates.

Loan repayments go into the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund to make additional loans.

MPFA raises capital for the revolving loan funds thru U.S. Environmental Protection Agency federal capitalization grants, state match appropriations, and by issuing tax-exempt municipal bonds.

Rates on MPFA loans are based on current muni market rates less MPFA discounts.

Municipal bond market rates will rise if the tax-exemption status is eliminated, because investors will demand higher rates to make up for the taxes they must pay.

MPFA would pay more interest on its bonds, leaving less money available for loans. Our borrowers would also pay more, potentially impacting user rate affordability.

This table illustrates the impact that elimination of tax-exempt status for municipal bonds would have on MPFA borrowers using awards made for the current state fiscal year (FY25) which ends June 30, 2025:

MPFA loans made		Estimated total interest paid			
		with and without tax-exempt benefit			
Count	Amount	As is (with)	Without	Difference	%
43	\$226,448,205	\$53,385,765	\$81,832,740	\$28,446,975	53%

see the following two pages for detail on loans made to date in FY 2025

Loans Fuded during the fiscal year ended June 30, 2025 to date as of 03/13/25

Date	Borrower	Prog	Loan Amount	Term (years)	Rate	Borrower Savings Thru MPFA	Estimated total interest paid with and without tax-exempt benefit		
							SFR Loan as is	Without benefit of Tax-Exempt	Difference
08/13/24	Annandale	DW	647,864	15	1.835%	116,478	100,052	147,826	47,774
07/15/24	Appleton	CW	344,699	30	1.180%	219,038	67,162	130,656	63,493
07/15/24	Appleton	DW	430,788	30	1.180%	274,255	83,424	163,287	79,863
09/27/24	Aurora	DW	12,347,318	30	2.302%	4,877,760	4,957,116	7,239,639	2,282,523
10/15/24	Bird Island	DW	445,158	20	1.000%	160,697	47,693	93,223	45,530
12/12/24	Browerville	CW	3,876,193	20	3.042%	513,166	1,306,813	1,774,634	467,821
12/12/24	Browerville	DW	1,805,971	20	3.042%	234,090	613,863	826,826	212,963
09/13/24	Chisholm	CW	190,451	30	2.398%	79,175	76,664	116,623	39,959
09/13/24	Chisholm	DW	774,101	20	2.067%	195,508	175,322	264,193	88,871
02/19/25	Crosby	CW	356,554	21	2.287%	92,281	94,303	138,384	44,081
02/19/25	Crosby	DW	351,368	21	2.290%	90,477	93,536	136,549	43,013
07/12/24	Delavan	DW	803,918	20	1.038%	323,411	88,759	182,402	93,643
02/18/25	Detroit Lakes	DW	9,883,495	21	2.281%	2,507,234	2,657,458	3,826,492	1,169,034
02/05/25	Duluth	DW	8,116,359	20	1.992%	1,970,775	1,757,520	2,617,233	859,713
08/13/24	Eagle Bend	DW	198,834	20	1.000%	92,679	21,059	47,274	26,215
10/13/24	Eagle Bend	CW	160,405	20	1.000%	73,876	17,052	37,814	20,762
12/02/24	Ellsworth	DW	1,516,268	30	1.283%	876,283	317,106	583,570	266,464
08/20/24	Evansville	CW	628,361	20	1.000%	249,046	68,130	138,139	70,009
11/22/24	Eveleth	DW	779,946	20	1.928%	194,909	160,965	246,356	85,391
10/07/24	Frazee	CW	348,161	20	1.404%	106,022	52,836	88,388	35,551
10/07/24	Frazee	DW	113,242	20	1.428%	34,269	17,751	29,169	11,418
07/16/24	Glenwood	DW	540,700	20	2.095%	144,118	119,135	188,551	69,416
10/18/24	Hill City	DW	1,831,350	30	1.019%	1,147,509	295,161	617,096	321,934
08/13/24	Inver Grove Heights	DW	2,165,171	20	2.155%	571,821	495,107	773,098	277,991
08/12/24	Kandiyohi County	CW	15,461,096	25	2.315%	5,183,977	4,945,029	7,510,354	2,565,325
09/30/24	Lino Lakes	DW	15,996,190	20	1.947%	4,132,122	3,262,900	5,139,381	1,876,481
11/19/24	Little Falls	DW	1,745,520	20	2.016%	436,585	379,934	575,883	195,950
10/08/24	Lowry	DW	61,810	20	1.000%	26,479	6,530	14,038	7,508
12/16/24	Minneota	CW	2,283,479	20	1.129%	832,734	264,313	518,429	254,116
12/16/24	Minneota	DW	1,557,748	20	1.634%	486,187	263,202	446,787	183,585
10/14/24	Oak Park Heights	DW	1,396,870	20	1.926%	360,322	280,344	443,246	162,902
09/13/24	Pelican Rapids	CW	577,745	20	2.921%	79,333	186,477	256,302	69,825
09/13/24	Pelican Rapids	DW	3,398,133	20	3.076%	482,540	1,149,307	1,595,942	446,636
08/22/24	Redwood Falls	CW	2,731,873	20	2.044%	697,404	607,294	925,161	317,868
10/29/24	Rochester	CW	72,000,000	20	1.879%	18,046,679	14,468,560	22,262,977	7,794,416
10/01/24	Saint Cloud	CW	22,665,704	20	1.882%	5,709,970	4,576,697	7,047,222	2,470,525
08/09/24	Saint Paul	DW	29,000,000	20	2.378%	7,799,909	7,583,264	11,588,758	4,005,495
10/29/24	Staples	DW	299,590	20	1.000%	107,548	32,410	62,617	30,207
12/02/24	Wells	CW	974,636	20	1.631%	296,973	172,494	279,646	107,153
12/02/24	Wells	DW	1,238,273	20	1.631%	378,160	218,297	355,290	136,993
in-process	Aitkin	DW	2,348,190	20	1.873%	730,170	513,968	786,926	272,958
in-process	Henning	DW	2,287,909	30	1.000%	1,819,585	384,788	869,438	484,649
in-process	Tower	DW	1,766,764	30	1.345%	1,136,626	405,973	746,922	340,948
		43	226,448,205			63,888,180	53,385,765	81,832,740	28,446,975

Note: Browerville and Pelican Rapids involve significant contributors (CW) and significant users (DW) WITHOUT an agreement; these get no discounts.

MN Public Facilities Authority Clean Water and Drinking Water State Revolving Funds
 Loans Fuded during the fiscal year ended June 30, 2025 to date as of 03/13/25
 Summary by MPFA Region

Region	Count	Loan Amount	Savings Thru MPFA	Tax-Exempt Benefit
01	-	-	-	-
02	-	-	-	-
03A	-	-	-	-
03B	2	4,179,540	1,877,679	594,893
03C	6	23,974,939	8,454,753	3,697,406
04N	6	16,608,685	5,028,983	2,217,113
04S	3	1,230,871	419,643	146,934
05	8	8,794,435	1,640,702	1,041,011
06E	2	15,906,254	5,344,674	2,610,855
06W	2	775,487	493,293	143,357
07E	-	-	-	-
07W	2	23,313,568	5,826,448	2,518,300
08	4	8,089,368	2,892,608	1,022,034
09	3	3,016,827	998,544	337,788
10	1	72,000,000	18,046,679	7,794,416
11	4	48,558,231	12,864,174	6,322,868
	43	226,448,205	63,888,180	28,446,975

