

HB 634, House Appropriations Committee Hearing, 10:00AM, January 19, 2007
"AN ACT INCREASING THE AMOUNT OF BONDS AND NOTES THAT THE
FACILITY FINANCE AUTHORITY MAY ISSUE"

Jon Marchi's Testimony

Chairman of the Montana Facility Finance Authority (MFFA)

Representing the Montana Ambassadors, Glacier Venture Fund and Big Sky Airlines

A seven member quasi-judicial board appointed by Governor Martz and Governor Schweitzer manages MFFA. Over the past 23 years the Authority has issued over \$1.4 billion of tax-exempt bonds with \$720 million currently outstanding. MFFA has never experienced a default. However, we have built up reserve fund balances recognizing that there may be defaults someday. We issue public notices of our meetings and we follow the guidelines of the state open meeting and public participation laws. We are fully audited by the Legislative Audit Division. Our audits have been consistently clean, with "no recommendations" needed reports.

We have been working with the Administration to increase or eliminate our bond cap of \$250 million per biennium set in 1997. The Administration's proposal is to change the cap from \$250 million to \$325 million, an increase of \$75 million. Over the past 10 years this represents an increase of 3% annually. We plan on issuing about \$269 million for the biennium ending June 30, 2007, which is why we have requested an immediate effective date. For the biennium beginning on July 1, 2007 we have already identified or are working on issuing bonds totaling \$418 million.

At our board meeting on January 30, 2007 the board unanimously passed a motion requesting that the sponsor of the bill request an amendment that would raise the biennial cap to \$600 million. We followed the prescribed procedures as outlined in the Administration's memo distributed earlier this year. On January 31, 2007 we wrote a two-page letter to the Administration with a copy of the "Bond Issues Per Biennium" handout and the board's motion. We have surveyed 20 states that had bond issuance caps such as ours. 18 of those states have eliminated the bond cap and 2 have raised their caps.

These bonds provide significant economic and social benefits to our state. They increase our infrastructure, create both short term and long term employment opportunities for our people, provide better medical service by improving facilities and by being able to purchase new technology.

And now it is my real pleasure to turn this over to Michelle Barstad, the Authority's Executive Director. Michelle is doing a superb job managing MFFA and we appreciate all her hard work.

Thank you, Mr. Chairman and members of the committee.