

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00 %
Personal Services	173,357	240,050	266,494	265,950	413,407	532,444	119,037	28.79 %
Operating Expenses	138,804	227,976	160,871	149,715	366,780	310,586	(56,194)	(15.32)%
Capital Outlay	0	31,536	0	0	31,536	0	(31,536)	(100.00)%
Grants	57,000	60,000	60,000	60,000	117,000	120,000	3,000	2.56 %
Transfers	18,833	18,000	19,775	19,775	36,833	39,550	2,717	7.38 %
Total Costs	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %
Proprietary Funds	387,994	577,562	507,140	495,440	965,556	1,002,580	37,024	3.83 %
Total Funds	\$387,994	\$577,562	\$507,140	\$495,440	\$965,556	\$1,002,580	\$37,024	3.83 %

Program Description

The Facility Finance Authority (Authority) was created by the 1983 Legislature to assist health care and related facilities contain future health care costs by offering debt financing at low-cost, tax-exempt interest rates for capital construction and improvements. The legislature extended eligible facilities to include community pre-release centers and for-profit manufacturing facilities. Cost savings are shared with consumers in the form of lower fees. The ability to issue industrial development revenue bonds for small manufacturing facilities was added in 2009.

Facility Finance Authority - HFA Loan Program – 06012

Facilities Finance Authority – 06015

The Authority provides debt financing through a number of programs. The Authority has established reserve requirements for each including:

- Master Loan Program (Capital Reserve Account A) - The Authority designates certain funds equal to 10% of the bonds and loans under contract with the Board of Investments (BOI) for a required reserve. The Authority contracts with BOI to replenish the debt service reserve fund if necessary
- Permanent Coal Tax Trust Loan Program (Capital Reserve Account B) - Statute allows the Authority to make loans up to \$15.0 million from the coal trust for capital projects. The loan amount is reported as investments in the financial statements of the BOI. The Authority designates up to 10% of the amount of outstanding loans made from this program as reserve
- Direct Loan Program – by statute the Authority may make direct loans to eligible facilities for eligible projects including construction and renovation, facility acquisition, refinancing of qualified outstanding debt, or purchase of equipment. Funding for the loans is derived from the revenues deposited in the Facilities Finance Authority account that is transferred to the HFA Loan Program. As of FYE 2014 The Direct Loan Program had a fund balance of \$1.9 million. About \$0.9 million is available for loans with the remainder shown as reserves for the outstanding loans of about \$1.0 million.
- Working capital - National bond rating agencies, national bond insurers, and institutional investor expect the Facility Finance Authority to maintain a working capital reserve of two years' operating capital to assure that it can financially operate between legislative sessions. At the beginning of FY 2014 this was \$1.2 million.

The figure below shows the reserve requirements for each of the programs discussed above.

Department of Commerce Facility Finance Authority Reserve Requirements		
Net Assets	Required FY 2014	Funded FY 2014
Capital Reserve Account A	\$12,083,968	\$1,255,028
Capital Reserve Account B	507,219	0
Direct Loan Program	1,026,349	1,026,349
Working Capital Fund	<u>1,158,882</u>	<u>1,158,882</u>
	<u>\$14,776,418</u>	<u>\$3,440,259</u>
Percentage Funded		23.28%

As shown in the figure, the amount of the reserves for FY 2014 is 23.3% of the requirements established by the Authority.

Revenues & Expenses:

Expenses

The figure chart below provides the executive's proposed budget for the Facilities Finance Authority.

Department of Commerce Facility Finance Authority				
Budget Item	Actual FY 2014	Appropriated FY 2015	Proposed FY 2016	Proposed FY 2017
FTE	3.00	3.00	3.00	3.00
Personal Services	\$173,357	\$222,375	\$266,502	\$265,959
Operating Expenses	138,804	227,976	160,871	149,715
Capital Outlay	0	31,536	0	0
Grants	57,000	60,000	60,000	60,000
Transfers	<u>18,833</u>	<u>18,000</u>	<u>19,775</u>	<u>19,775</u>
Total Expenditures	387,994	559,887	507,148	495,449
Funding				
Facilities Finance Authority	387,994	559,887	507,148	495,449
HF Loan Program	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funding	<u>\$387,994</u>	<u>\$559,887</u>	<u>\$507,148</u>	<u>\$495,449</u>
Percentage Change		44.30%	-9.42%	-2.31%

Personal services changes are impacted by:

- Elimination of 4% vacancy savings without a corresponding reduction in FTE
- Annualization of state share contribution for employee health insurance and increases provided in FY 2015
- Full funding for program specialist that was vacant about 75% of FY 2014 and a financial specialist that was unfilled for about 25% of FY 2014

Operating expenses changes include:

- State Information Technology Services fixed cost adjustments
- Inflationary increases included in the rental agreement
- Additional support for indirect costs associated with the Director's Office

Revenues

The Facility Finance Authority is funded entirely by proprietary funds from two accounts within the enterprise fund.

2017 Biennium Report on Internal Service and Enterprise is shown in the figure below. It provides a summary of anticipated revenues, expenditures, and remaining fund balance for the two funds. Revenues are collected from interest, fees, and charges to participating institutions. Application and annual administrative fee assessments are contingent upon business volume. Customer volume is assumed to be at the current level throughout the 2017 biennium.

The Health Finance Authority Loan Program (06012) provides direct loans to various facilities. The Facilities Finance Authority funds operations. The accounts have been combined in the report provided below.

2017 Biennium Report on Internal Service and Enterprise Funds - WITHOUT OPEB						
Fund 06012	Fund Name HFA Loan Program	Agency # 65010	Program Name Facility Finance Authority			
06015	Facilities Finance Authority					
			Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Operating Revenues						
Fees and Charges						
	Administrative Fees		\$498,053	\$490,000	\$515,000	\$510,000
	Investment Earnings		45,718	49,000	42,000	45,000
	Other Operating Revenues		-	-	-	-
Total Operating Revenues			543,771	539,000	557,000	555,000
Expenses						
	Personal Services		178,086	240,050	266,502	265,959
	Other Operating Expense		197,039	319,512	220,871	209,715
Total Operating Expense			375,125	559,562	487,373	475,674
Operating Income (Loss)			168,646	(20,562)	69,627	79,326
Income (Loss) Before Contributions and Transfers			168,646	(20,562)	69,627	79,326
	Capital Contributions					
	Transfers In		-	-	-	-
	Transfers Out		(18,833)	(18,000)	(19,775)	(19,775)
Change in Net Position			149,813	(38,562)	49,852	59,551
Beginning Net Position - July 1			4,696,851	4,846,664	4,808,102	4,857,954
	Prior Period Adjustments		-	-	-	-
	Change in Net Position		149,813	(38,562)	49,852	59,551
Ending Net Position - June 30			4,846,664	4,808,102	4,857,954	4,917,505
Net Position (Fund Balance) Analysis						
	Restricted Net Position (Enterprise Funds Only)		-	-	-	-
	Unrestricted Net Position		\$4,846,664	\$4,808,102	\$4,857,954	\$4,917,505

Fund balance, also referred to as equity, for both funds is shown as \$4.9 million at the end of FY 2017. About \$1.9 million of the balance included is for the HFA Loan Program with the remainder available as reserves. For the 2017 biennium the working capital reserve is calculated as \$1,115,124, slightly less than the reserve requirements for FY 2014. The capital reserve account reserve requirements (both A and B) is projected to be \$11,615,345 for the biennium. Thus the amount of the unfunded reserves for this program is projected to be \$9,762,666. At the end of the 2017 biennium the reserves for the program would be 15.9% funded.

Proprietary Rate Explanation

The Facilities Finance Authority is funded by an enterprise fund, and Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Requested Rates for Internal Service Funds Fee/Rate Information					
Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:					
Application Fee:					
<u>Loan Amount</u>		<u>Fee</u>			
Up to \$5,000,000		30 basis points (bp) (.0030)			
Up to \$10,000,000		the > of 25 bp or \$ 15,000			
Up to \$25,000,000		the > of 15 bp or \$ 25,000			
Up to \$50,000,000		the > of 12.5 bp or \$ 37,500			
Up to \$100,000,000		the > of 7.5 bp or \$ 62,500			
Over \$100,000,000		the > of 6.5 bp or \$ 75,000			
Annual Fee:					
			<u>Fee</u>		
Stand Alone Bond Issues			5 bp X the outstanding principal amount		
Private Placement bond issues			5 bp X the outstanding principal amount		
Trust Fund Loan Program			5 bp X the outstanding principal amount		
Master Loan Program			10 bp X the outstanding principal amount		
Authority: Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA					

The program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund.

Program Highlights

There are no highlights for this program.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Commerce, 71-Facility Finance Authority Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	0.00 %
06015 Facilities Finance Authority	0	1,002,580	0	1,002,580	100.00 %
Proprietary Total	\$0	\$1,002,580	\$0	\$1,002,580	100.00 %
Total All Funds	\$0	\$1,002,580	\$0	\$1,002,580	

This program is entirely funded with proprietary rates.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	0	0	0	0.00 %	559,887	559,887	1,119,774	0.00 %
PL Adjustments	0	0	0	0.00 %	(52,747)	(64,447)	(117,194)	0.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$0	\$0	\$0		\$507,140	\$495,440	\$1,002,580	