Montana Facility Finance Authority: Program and Budget Costs

About:
The Montana Facility Finance Authority (MFFA) was created in 1983 to help health care facilities contain future health care costs by providing access to the tax-exempt municipal bond market. Since its founding, the MFFA has structured over $3.47 billion of financing for projects ranging from small loans of $9,500 to bond issues of $280 million. The MFFA operates without using taxpayer funds, and is supported by service and financing fees which also allow it to provide low-cost loans to medical facilities around Montana.

Mission: Enhance Montana healthcare and community development through access to cost-effective capital financing and development services

Applicable Statutes:
- Title 90, Chapter 7, parts 1, 2 and 3 - Montana Facility Finance Authority Act of 1983
- 2-15-1815 - 1983
- 17-5-2201 - 1987
- 17-6-308 - Montana In-State Investment Act of 1983

Needs/Who Served:
The MFFA serves all non-profit healthcare providers in the state of Montana covering every nonprofit Community Health Center, hospital, group home, addiction treatment facility, and prerelease as a possible client. Over it 37-year history the MFFA has served clients covering every corner of the state from small rural facilities to large facilities part of multi-state networks. See the attached service map for locations served.

Because the eligible facilities for MFFA services are spread across the state and each of those facilities serve a multi-county area, the whole of Montana's population as well as Montana visitors and those in adjacent counties in our neighboring states are served by facilities that benefit from MFFA financings.

Goals/Measurements:
Goals:
- Devise strategies to provide cost-effective capital financing programs and development services for eligible facilities to improve healthcare and community wellness capabilities across Montana.
- Educate clients, policy makers, and the public about the benefits and importance of programs and services offered by the authority. Support facility and community development by promoting good public policy, advocating for clients, and supporting planning and development efforts.
- Maintain and enhance operational effectiveness and organizational integrity by expanding and adapting organizational capacity, staff expertise, and administrative systems to meet the requirements of program strategies and outreach efforts.

Future Milestones:
Our client activity can vary significantly year to year due to market and political forces. In a single year, the MFFA has done as few as 4 and as many as 34 financings. Given the widely variable market it is

difficult to set milestones for a number of financings or overall volume of funds. Instead, the MFFA focuses on measures of reaching clients and delivering its services efficiently and cost-effectively.

Client outreach

Covid has significantly limited our client outreach options. However, as the state moves past Covid, the MFFA will continue its outreach program including on-site visits, conference attendance, and outreach through trade groups and associations. The MFFA will also conduct its client survey to determine the immediate scope of market need as well as identify any client needs or areas where the MFA can improve services or adapt programs.

Efficiency

The MFFA believes that the core of meeting client needs is good governance. To that end, the FFA marks its efficiency and good governance through:

- Continuing to have no audit recommendations from the Legislative Audit Division
- Continuing to keep expenses below revenues
- Responding to client applications and questions in a timely manner

Challenges and Opportunities:

- Larger bond issuances are a significant part of our application and annual fee revenue and these institutions could look at taxable issuances given the current rate and regulatory market.
- The financial vulnerability of rural facilities increases the risk of a borrower default.
- Potentially adverse changes in federal financing, or federal or state legislation that could make conduit bonding more difficult or uneconomical.
- Changes in federal financing, insurance, and the bond market could adversely affect our clients.

Consequences if Lost:

If the MFFA were to cease its operations there would be significant negative impacts on the healthcare providers and communities of Montana. Further, while the MFFA is fully self-supported, an unwinding of the MFFA would be a complicated and expensive process

The end of reliable access to cost-effective capital though the Authority would result in an increase in borrowing costs for facilities leading to them either increasing patient costs or forgoing critical improvements. According to the Council of Development Finance Agencies (CDFA), industry experts have estimated that interest rates for borrowers would increase by 1.5-2.5% for bond transactions of varying levels of credit quality if access to PABs is eliminated. They further estimate that such a rise in interest rates would cause the cost of borrowing to increase by as much as 25-35%. A survey of bond issues by CDFA showed that 90% of the deals completed across the country from 2011-2016 would have not happened or been scaled back if they had been financed by taxable debt rather than tax-exempt bonds.

Access to tax-exempt bonds fuels project development and supports Montana communities. A 2020 study by the econometric research firm IHS Markit found that over the past ten years, projects funded by the MFFA has directly created an average of 517 jobs and supported or induced an additional 803 per year. In addition, the income tax exemption on the bonds allowed Montana holders of the tax-exempt debt to save an estimated $18.2 million per year for each of the last 10 years.

The MFFA supports other programs as well as its own operations from the fees charged on the bonds it issues. The MFFA is the only statewide entity to provide low-interest fixed-rate loans to rural hospitals to purchase vital equipment and improve facilities. Just in the last two fiscal years, the MFFA has loaned over $14.4 million to rural Montana facilities including the following projects:

- $1,000,000 for Roosevelt Medical Center in Culbertson to replace their aging HVAC system and improve facility air handling to improve Covid-19 safety
- $300,000 for Fallon Medical Center to purchase a full-body CT Machine
- $1,200,000 for Central Montana Medical Center for an upgrade for its electronic medical record system
- $977,313 for Eastern Montana Mental Health to consolidate their existing debt and renovate a new group home. Refinancing of existing debt saved the facility over $162,000.

The above projects illustrate the critical value of having low-cost financing available to improve facilities, consolidate debt, and meet changing capital needs. Without access to these services, small and rural facilities will struggle financially and the risk of hospital closure will rise in rural communities.

Secondly, in the event of the termination of the MFFA, all of the MFFA's obligations under existing contracts would need to be assigned to some entity that had the statutory power to make and enforce such obligations. All of the contractual obligations of the MFFA would need to be reviewed to see if and how its obligations could be legally assigned. For instance, the assignment of Trust Fund Loans authorized to be made in conjunction with the MBOI under § 17-6-308(4), MCA would likely need new statutory authority for any new entity to have responsibility for loans for capital projects from the permanent coal tax trust fund. Similarly, the assignment of the MFFA responsibilities under Capital Reserve Account Agreements made between the MBOI and MFFA (as credit enhancements for the health care facilities qualifying under the Master Loan Program or for the Pre-Release Centers and Meth Treatment Centers under the Surety loan program) would need to be made to an entity with statutory authority to create and administer a capital reserve account in the manner provided in Section 90-7-317 to 90-7-319, MCA. These pledges to utilize the Capital Reserve Account Agreements form the basis for the rating of bonds issued under such programs and the obligations on those pledges do not disappear with the MFFA.

Under Montana's unique system of authorizing pre-release centers and meth treatment centers, only the MFFA has the statutory authority to approve the pledge of Department of Corrections contracts as security for pre-release center and meth treatment center bonds. This pledge and the statutory capital reserve account provisions provide security for such obligations

SCOTT OSTERMAN
DIRECTOR

MONTANA
DEPARTMENT OF COMMERCE

GREG GIANFORTE
GOVERNOR

Montana Facility Finance Authority

Source of Auth	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Budgeted
	394,472.32	512,860.23	476,416.14	630,302.20	621,769.84	902,873.88
HB 576 Proprietary Off-Budget	394,472.32	512,860.23	476,416.14	630,302.20	621,769.84	902,873.88
Grand Total	394,472.32	512,860.23	476,416.14	630,302.20	621,769.84	902,873.88
Total FTE	3	3	3	3	3	3
% of Costs Admin	52%	49%	40%	37%	29%	19%

FTE by Position:
Operations Director - 1
Program Specialist - 1
Financial Specialist -1 (position vacant FY 2016 & 2017)