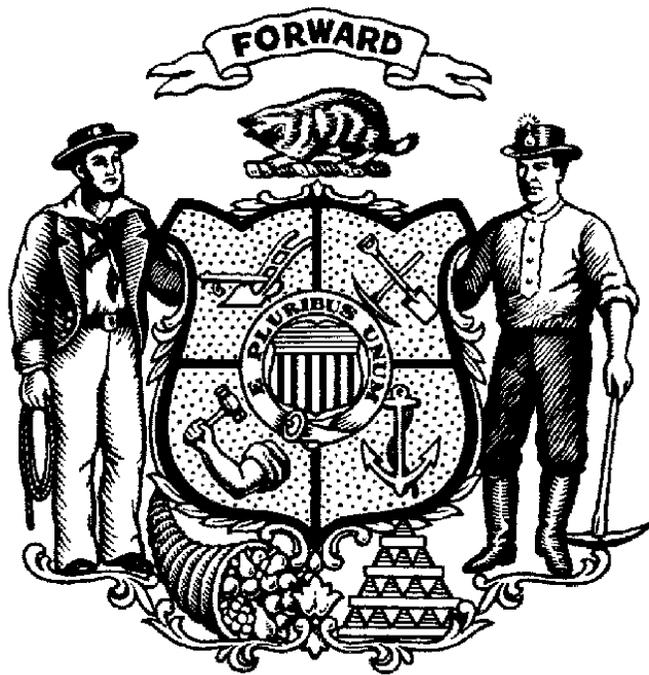


State of Wisconsin

Health and Educational Facilities Authority



Agency Budget Request
2013 – 2015 Biennium
September 17, 2012

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Wisconsin Health and Educational Facilities Authority
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Brookfield, WI 53045-5841
Phone (262) 792-0466 Fax (262) 792-0649

September 13, 2012

Mr. Brian Hayes
Administrator, Division of Executive Budget and Finance
Wisconsin Department of Administration
Madison, Wisconsin

**Re: Wisconsin Health and Educational Facilities Authority (WHEFA)
2013-2014 State Budget Requests**

Dear Brian:

For over 33 years WHEFA has been quietly fulfilling its mission of assisting Wisconsin's nonprofit health care and educational institutions to obtain access to low-cost capital in order to finance their building and equipment improvement and expansion needs. During this time, WHEFA has issued over \$18 billion of federally tax-exempt bonds to provide several hundred Wisconsin nonprofit corporations access to private and public capital markets at lower costs than are available to them in the conventional marketplace.

Pursuant to Section 231.10 of the Wisconsin Statutes, bonds issued by WHEFA are not considered indebtedness of the State of Wisconsin, and the State has no obligation to repay any bonds issued by WHEFA under any circumstances. Additionally, WHEFA does not utilize any State moneys to fund its operations.

WHEFA is pleased to present the following two State Budget Requests for 2013-2014:

BUDGET REQUESTS:

1. *Background:* Since its creation, the legislature has broadened the eligibility for WHEFA financing assistance by allowing independent colleges and universities, certain continuing care facilities, private nonprofit elementary and secondary schools, nonprofit research facilities and community rehabilitation providers to participate. In today's economic environment, it is important to permit all Wisconsin 501(c)(3) nonprofit organizations access to this low-cost financing option.

Proposed Budget Request #1: Allow WHEFA to issue bonds on behalf of all 501(c)(3) nonprofit organizations:

Amend Chapter 231 of the Wisconsin Statutes to authorize WHEFA to issue bonds to finance any project undertaken by a *nonprofit institution* for a *nonprofit facility* and to refinance outstanding debt of a nonprofit institution. A *nonprofit institution* would be defined as a *nonprofit entity* (i.e. an entity that is described in Section 501(c)(3) of the Internal Revenue Code that is exempt from federal income tax under Section 501 of the Internal Revenue Code), or an affiliate of that nonprofit entity, but would not include institutions for which WHEFA is already authorized to issue bonds under Chapter 231 (i.e. participating health, education and research institutions). A *nonprofit facility* would be defined as a facility that is owned or operated by a nonprofit entity. The amendment would



define the types of projects for which WHEFA could issue bonds on behalf of a nonprofit entity to include construction, acquisition, remodeling, furnishing and equipping of nonprofit facilities, related structures, and structures or items that are useful for the operation of nonprofit facilities.

2. *Background:* Under current law, the interest income to Wisconsin taxpayers who own bonds issued by WHEFA is exempt from Wisconsin income taxation *only* if the proceeds of such bonds are used by a health facility to acquire information technology hardware or software. The interest income on all other bonds issued by WHEFA is subject to the payment of Wisconsin income tax. In the 2011-2012 State Budget, Governor Walker attempted to level the playing field among the various Wisconsin bond issuers by allowing WHEFA to issue bonds to finance or refinance projects, the interest on which would be exempt from State income tax where such an exemption already exists pursuant to Wisconsin statute through another Wisconsin issuer. The Legislative Fiscal Bureau concluded that this proposal would not have a negative fiscal impact on the State's revenues. Removal of this budget bill provision by the Joint Finance Committee left WHEFA at a competitive disadvantage to other issuers who can offer the State tax exemption.

Proposed Budget Request #2: Allow all bonds issued by WHEFA to be exempt from State income tax when such an exemption is already available through another conduit issuer:

Amend Section 71 of the Wisconsin Statutes to provide that the interest income on bonds issued by WHEFA under Chapter 231 is exempt from Wisconsin income taxation if such bonds are issued for the benefit of a person who is eligible to receive the proceeds of bonds issued by another issuer for the same purpose for which the WHEFA bonds would be issued and the interest income received on those other bonds, if so issued, would be exempt from Wisconsin income taxation.

WHEFA fully supports these two Budget Requests as they 1) promote economic development and job creation in Wisconsin by ensuring competitive access to capital for all Wisconsin nonprofit institutions seeking to expand and create jobs and 2) level the playing field among the various other Wisconsin bond issuers by allowing WHEFA to offer a State tax exemption for WHEFA bonds where such an exemption is already available through another Wisconsin issuer.

If you have any questions regarding our 2013-2014 State Budget Requests please do not hesitate to call me at 262-792-0466 or email me at dennis@whefa.com

Sincerely,



Dennis P. Reilly
Executive Director – effective October 1, 2012
(currently the Associate Executive Director)

AGENCY DESCRIPTION

The authority, created by the Legislature in 1973, has been providing active capital financing assistance to Wisconsin non-profit health care institutions since 1979. In 1987, the authority's charter was expanded to include the issuance of bonds for the benefit of independent colleges and universities and certain continuing care facilities. In 2004, the authority's charter was further expanded to include the issuance of bonds for the benefit of private, non-profit elementary or secondary educational institutions. In 2009, the authority's charter was again expanded to include the issuance of bonds for the benefit of non-profit research facilities.

The authority staff assists these institutions in analyzing financing alternatives and in structuring revenue bond issues to meet their needs. This financial advisory service is available to all eligible borrowers even if the authority may not be the ultimate issuer for the financing. Funds for each project financed by the authority are obtained through the sale of revenue bonds of the authority. Bonds are sold to institutional lenders in direct placement transactions and to individual and institutional investors in public offerings. Bond sale proceeds are loaned by the Authority to the borrowing institution or project sponsor. No state or other public funds are used.

The authority's bonds are payable solely out of loan repayments from the borrowing institution, sponsor or guarantor. They are not a debt, liability or moral obligation of the State of Wisconsin or any of its political subdivisions. The authority has no taxing power.

The credit supporting any authority bond issue is the credit of the borrowing institution involved. The availability of financing and its terms and conditions depends in each case upon the credit-worthiness of each borrower. In most cases, interest paid on authority bonds is exempt from federal income taxation, resulting in materially lower financing costs to the borrowing institution. Interest on bonds issued by the authority is not exempt from present Wisconsin income taxation with limited exception. Effective January 1, 2009, authority bonds or notes issued for the purpose of purchasing information technology equipment by healthcare providers and health facilities are now exempt from state income tax.

The authority is governed by a seven-member board of directors appointed by the Governor with advice and consent of the Senate for staggered seven-year terms. Members of the authority must be residents of the state and not more than four may be members of the same political party.

Agency Total by Fund Source

1315 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
Grand Total										NaN

Agency Total by Program

440 Health and Educational Facilities Authority

1315 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
Agency Total										0.00%

Agency Total by Decision Item

1315 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
TOTAL				

Decision Item (DIN) - 2000

Decision Item (DIN) Title - Adjusted Base Funding Level

NARRATIVE

Adjusted Base Funding Level

Decision Item (DIN) - 4000

Decision Item (DIN) Title - Bond Issuance on Behalf of All 501(c)(3) Nonprofit Organizations

NARRATIVE

The authority requests that Chapter 231 of the Wisconsin Statutes be amended to authorize the authority to issue bonds to finance any project undertaken by a nonprofit institution for a nonprofit facility, and to refinance the outstanding debt of a nonprofit institution. This amendment is anticipated to have no state fiscal impact.

Decision Item (DIN) - 4001

Decision Item (DIN) Title - State Tax Exemption for Certain Bonds Issued by the Authority

NARRATIVE

The authority requests amendments to Section 71 of the Wisconsin Statutes to provide that the interest income on bonds issued by the authority under Chapter 231 is exempt from Wisconsin income taxation if the bonds are issued for the benefit of a borrower who is eligible to receive the proceeds of bonds issued by another issuer for the same purpose and the interest income received on those other bonds, if issued, would be exempt from Wisconsin income taxation. This amendment is anticipated to have no state fiscal impact.