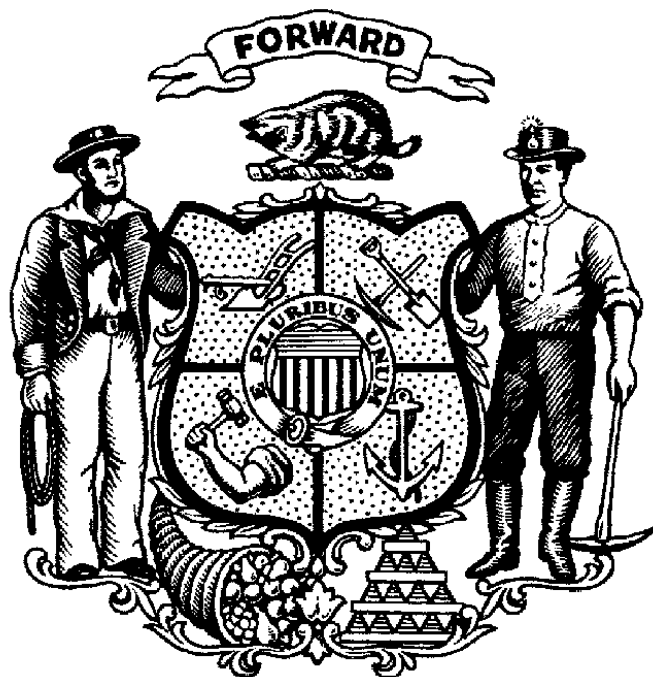


State of Wisconsin

Health and Educational Facilities Authority



Agency Budget Request
2019 – 2021 Biennium
September 17, 2018

Table of Contents

Cover Letter	3
Description	4
Agency Total by Fund Source.....	5
Agency Total by Program	6
Agency Total by Decision Item (DIN).....	7
Decision Items.....	8

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Dennis P. Reilly
Executive Director

September 12, 2018

Ellen Nowak, Secretary
Department of Administration
101 E Wilson, 10th Floor
Madison, WI 53703

Dear Secretary Nowak:

For over 39 years, WHEFA has been quietly fulfilling its mission of assisting Wisconsin's non-profit institutions to obtain access to low-cost capital in order to finance or refinance their building and equipment improvements and expansion needs. 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.

Please find enclosed the biennial budget proposal for FY 2019-2021 as developed by the Wisconsin Health and Educational Facilities Authority.

WHEFA remains committed to promoting economic development and job creation in Wisconsin while actively improving the overall quality of life for Wisconsin citizens.

Thank you very much.

Sincerely,



Dennis P. Reilly
Executive Director

Cc: Governor Scott Walker
Bob Lang/Rick Olin, Legislative Fiscal Bureau
Waylon Hurlburt, State Budget Director
Cynthia Dombrowski, DOA



18000 W. Sarah Lane, Suite 300
Brookfield, Wisconsin 53045-5841
P: 262-792-0466 • F: 262-792-0649
info@whefa.com • www.whefa.com

AGENCY DESCRIPTION

The Authority, created by the Legislature in 1973 (Chapter 231, Wisconsin Statutes), 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. In 2013, WHEFA's charter was permanently expanded to include the issuance of bonds for the benefit of all Wisconsin 501(c)3 nonprofit organizations.

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 or unless such exemption is already available on bonds eligible to be issued for the same purpose through another Wisconsin authority.

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

1921 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

1921 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

1921 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) - 4001

Decision Item (DIN) Title - Tax Exemption for Bonds

NARRATIVE

Provide a state tax-exemption for any bonds issued by the Wisconsin Health and Educational Facilities Authority (WHEFA) in an amount totaling \$35 million or less.

Background – Non-profit hospitals, long-term care and elderly housing providers, educational institutions, cultural facilities, and other public charities are found in virtually every community in Wisconsin. Such organizations and the services they provide are vital to Wisconsin's economy. Access to low-cost financing enables them to hold their infrastructure expenditures low so that they can efficiently fulfill their missions and focus on the work they do for the public good. Most of these organizations depend upon tax-exempt bonds issued by WHEFA in order to finance and refinance their capital improvements and expansion needs. A state tax-exemption for all WHEFA bonds totaling \$35 million or less would go a long way in assuring the success of smaller non-profits throughout Wisconsin.

Amend Section 71 of the Wisconsin Statutes to provide that the interest income received by individuals, corporations and insurers on bonds or notes totaling \$35 million or less issued by WHEFA under Chapter 231 be exempt from Wisconsin taxation.

Cost/Benefit – Minimal financial impact to the state of Wisconsin (approximately \$130,000 in year one), but would have a significant financial benefit to small non-profits especially those in rural areas, by allowing access to capital at even lower costs than would otherwise be available. This change would lower the annual borrowing costs for these smaller non-profit organizations by approximately .05-.15% per annum. As a result, each organization could deploy these costs savings into their organizations and communities in which they serve. In addition, this state tax-exemption would foster increased economic development at the local and state level.