

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **04/26/99**

Received By: **champra**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau**

By/Representing: **Collins**

This file may be shown to any legislator: **NO**

Drafter: **champra**

May Contact:

Alt. Drafters:

Subject: **State Finance - miscellaneous
Bonding - state**

Extra Copies:

Pre Topic:

LFB:.....Collins -

Topic:

Increasing the University of Wisconsin Hospital and Clinics Authority's bonding authority and limiting its bonding and indebtedness authority

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	champra 04/26/99	ygeller 04/26/99	martykr 04/27/99	_____	lrb_docadmin 04/27/99		
/2	champra 04/28/99	ygeller 04/28/99	hhagen 04/28/99	_____	lrb_docadmin 04/28/99		

FE Sent For:

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/1	champra 04/26/99	jgeller 04/26/99	martykr 04/27/99	_____	lrb_docadmin 04/27/99		

1/2 4/28 jg

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/1	champra	1 4/26 jlg	2/27	ch 4 2/27			

FE Sent For:

<END>

Representative Gard
Senator Moore

UW HOSPITAL AND CLINICS AUTHORITY

Limit on Use of Bonding and Indebtedness Authority

Motion:

Move to prohibit the UW Hospital and Clinics Authority (Authority) from issuing bonds or incurring indebtedness from the Wisconsin Health and Education Facilities Authority (WHEFA) for the purpose of purchasing a health maintenance organization (HMO) or insurance company, beginning with the effective date of the bill.

609.01(2)

600.03(27)
(insurer)

Note:

This motion would limit the Authority's use of bonding or incurring indebtedness from WHEFA. Current law permits the Authority to issue bonds for any corporate purpose. In addition, the Authority is allowed to seek financing and incur indebtedness from WHEFA for certain eligible projects, for example: acquisition of a hospital; construction or operation of an ambulatory surgery center or home health agency; or the addition to a hospital's bed capacity. Under the motion, the Authority would not be allowed to purchase a HMO or insurance company with bonds or WHEFA financing.

2. Modify the Governor's recommendation by increasing the amount of bonds the Authority could issue or indebtedness it could incur by additional \$16.5 million. This would provide for a total statutory limitation of \$106.5 million.

3. Maintain current law, which would maintain the current \$50 million limit.

B. Bonding Use Limitation

1. Approve the Governor's recommendation to prohibit the Authority from issuing bonds for the purpose of purchasing a clinic or hospital, beginning with the effective date of the bill.

2. Maintain current law.

Prepared by: Tricia Collins

indicates that an additional space could be constructed in an excavated section in front of the Hospital to enable the relocation of ambulatory programs currently occupying inpatient space. The estimated additional cost of this project is \$9.0 million resulting in a total cost of \$56.5 million for all of the new projects. On April 7, 1999, the Authority Board of Directors approved a resolution revising the total estimated costs for the projects to \$56.5 million and reaffirmed its previous decision to proceed with detailed architectural plans for the projects.

7. In support of its request for additional bonding authority, the Authority indicates that its financial consultant and previous bond underwriter have advised the Authority that the Hospital can support substantially more bonding and that dividing required bonding over two separate issues is more costly and is not advisable. In addition, the Authority notes that it is solely responsible for repaying its debt and no liability accrues to the State or the University. However, although there is no legal obligation, questions could be raised as to whether the state would decline to assist the Authority, if for some reason the Authority encounters significant problems.

8. The Committee could provide sufficient bonding authority to cover estimated costs for all of the above-identified projects. This would result in an increase of \$16.5 million in bonding authority for a total bonding and indebtedness limitation of \$106.5 million for the Authority.

9. The Governor's recommendations would also prohibit the Authority from issuing bonds for the purpose of purchasing a clinic or hospital, beginning with the effective date of the bill, although the Authority could borrow from WHEFA or other lenders to purchase clinics and hospitals. Staff from DOA indicate that this provision was included due to concerns that the additional bonding could be used to purchase a clinic or hospital and it was felt that the Authority should use its own money or other financing to make such a purchase.

10. The Authority states that while it has no plans to purchase a hospital or clinic in the foreseeable future, it believes that this constraint is unnecessary and should be deleted. Under this alternative, the Authority could use bonding for any corporate purpose.

11. However, one could argue that the limitation could be retained because: (a) the Authority has stated that it has no current plans to purchase a hospital or clinic; and (b) the Authority could use other sources of funding to pay for such a purpose. If later, the Authority wishes to purchase a hospital or clinic with bonding, it could request at that time that the limitation be removed and the Legislature could then review the Authority's plans and fiscal condition.

ALTERNATIVES

A. Bonding Alternatives

1. Approve the Governor's recommendation to increase the amount of bonds the Authority's could issue or the indebtedness it could incur by \$40 million.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 20, 1999

Joint Committee on Finance

Paper #980

Bonding Authority (UW Hospital and Clinics Authority)

[LFB 1999-01 Budget Summary: Page, 618 #1&2]

CURRENT LAW

The University of Wisconsin Hospitals and Clinics Authority (Authority) was created to operate and manage the UW Hospital and Clinics beginning July 1, 1996. The Authority is a public body corporate and politic that is defined and authorized by state law and governed by a public board. State law permits the Authority to issue bonds for any corporate purpose. Bonds issued by the Authority are not a debt of the state and do not obligate the state to levy any tax or make any appropriation for payment of the bonds. The state is not liable for debt service payments. The Authority is also allowed to seek financing and incur indebtedness from the Wisconsin Health and Educational Facilities Authority (WHEFA), which provides financing to health facilities.

The Authority cannot issue bonds or incur indebtedness from WHEFA if, after the bonds are issued or the indebtedness is incurred, the amount of all outstanding bonds and indebtedness would exceed \$50 million. Excluded from this limit is bonds or indebtedness issued to refund outstanding bonds or indebtedness.

GOVERNOR

Increase the amount of bonds the Authority could issue or the indebtedness it could incur by \$40 million. Prohibit the Authority from issuing bonds for the purpose of purchasing a clinic or hospital, beginning with the effective date of the bill.

DISCUSSION POINTS

1. In April, 1997, the Authority issued \$50 million in 30-year bonds. A portion of the

bond proceeds was used to repay the line of credit payable to Firststar Bank and the remaining bond proceeds were designated to finance capital projects. Principal payments on the bond issue are due annually commencing in April 2010 through April 2026.

2. The projects to be financed with the \$50 million bond issuance in April of 1997 are projected to total \$47,450,000 and include: (a) purchase of the University Station Clinic building (\$6,950,000); (b) land acquisition for and construction of a Madison east side ambulatory care facility (\$14,100,000); (c) renovation of a portion of the primary hospital building into an outpatient treatment center, remodeling of space vacated by clinics relocating into the new treatment center and purchase of fixed equipment (\$8,100,000); (d) the remodeling of the cardiac intensive care unit (\$1,000,000); (e) a three module medical school addition, which will provide office and research space for several UW Medical School departments and the Wisconsin Institute for Respiratory Research (\$6,000,000 of a total project cost of \$15,400,000); (f) land acquisition for and construction of a Madison west side ambulatory facility (\$7,200,000); and (g) land acquisition for and construction for an administrative services facility (\$4,100,000).

3. The Authority has not incurred any indebtedness from WHEFA. Created by Chapter 304, Law of 1973, WHEFA is a public corporation, which originally provided low-cost capital financing for nonprofit health care institutions. In 1987, WHEFA was further authorized to issue revenue bonds both for private nonprofit educational facilities and for nonprofit continuing care facilities. Bonds issued by WHEFA are not considered state debt and the state has no obligation to repay WHEFA debt if its revenues are insufficient to meet debt service costs. As of June 30, 1998, WHEFA had outstanding revenue bonds totaling approximately \$4 billion.

4. In December of 1998, the Authority submitted a request to DOA to remove the current \$50 million bonding cap to enable the Authority to issue additional bonds for future projects. The Authority estimated that an additional \$47.5 million in the 1999-01 biennium would be needed for the following capital projects: (a) expansion of the number of hospital operating rooms (\$13.7 million); (b) expansion of the pediatric intensive care unit (\$5.9 million); (c) relocation of the medical flight program (\$2.7 million); and (d) construction of the southwest expansion to the Hospital which would include space for radiology, the emergency department, rehabilitation medicine, medical records, respiratory therapy, clinical labs, pharmacy, central services and plan engineering (\$25.2 million).

5. The Governor's budget proposal would provide a \$40 million bonding increase for the Authority, resulting in an authorization of \$90 million. Staff from DOA indicate that this is the amount of bonding and indebtedness initially recommended by the Governor when the Authority was created under 1995 Act 27. Under the Governor's recommendation, because the Authority did not receive the full amount it requested, it would have to reduce costs associated with the projects, which could result in a reduction of the scope of the projects, seek alternative financing, or return to the Legislature for additional bonding authority if needed.

6. At the agency budget hearing on March 24, 1999, the chief executive officer of the Authority indicated that the Governor's recommended bonding increase is not sufficient to allow the Authority to implement its projects. In addition, more recent information provided by the architects



State of Wisconsin
1999 - 2000 LEGISLATURE

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FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 1. Page 1105, line 14: delete lines 14 to 18[✓] and substitute:

3 "SECTION 2368e.[✓] 233.03 (12)[✓] of the statutes is amended to read:

4 233.03 (12) ~~Seek~~ Subject to s. 233.24[✓], ~~seek~~ financing from, and incur
5 indebtedness to, the Wisconsin Health and Educational Facilities Authority.

6 History: 1995 a. 27.

6 SECTION 2368r.[✓] 233.24[✓] of the statutes is created to read:

7 233.24 **Limits on issuing bonds and incurring indebtedness.** Beginning
8 on the effective date of this section[✓].... [revisor inserts date], the[✓] authority may not
9 issue bonds or incur indebtedness to the Wisconsin Health and Educational
10 Facilities Authority for the purpose of purchasing a health maintenance

1 organization, as defined in s. [✓]609.01 (2), or any other insurer, as defined in s. 600.03
2 (27).[✓]”.

3 **2.** Page 1105, line 24: delete “\$90,000,000”[✓] and substitute “\$106,500,000”.[✓]

4 **3.** Page 1106, line 2: delete “\$90,000,000”[✓] and substitute “\$106,500,000”.[✓]

5 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

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Sean

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run*

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*Insert
1-6* ✓

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2 (27).”.

3 **2.** Page 1105, line 24: delete “\$90,000,000” and substitute “\$106,500,000”.

4 **3.** Page 1106, line 2: delete “\$90,000,000” and substitute “\$106,500,000”.

5 (END)

INS 1-6

1 (3) to improve the delivery of service under the private small sewage system
2 program. The department shall obtain the assistance of the Wisconsin counties
3 association in planning and conducting the training and informational programs.”.

****NOTE: This item corrects the misnumbering of a statute in the bill.

4 **50.** Page 1038, line 6: delete lines 6 to 13.

****NOTE: This item corrects the misnumbering of a statute in the bill.

5 **51.** Page 1067, line 6: after that line insert:

6 “SECTION 2308m. 186.098 (12) of the statutes is amended to read:

7 186.098 (12) LOANS TO MEMBERS. A credit union may make loans to members
8 secured by assignment or transfer of stock certificates or other evidence of the
9 borrower’s ownership interest in a corporation formed for the cooperative ownership
10 of real estate. Sections 846.10 and 846.101, as they apply to a foreclosure of a
11 mortgage involving a one-family residence, apply to a proceeding to enforce the
12 lender’s rights in security given for a loan under this subsection. The office of credit
13 unions shall promulgate joint rules with the ~~divisions of savings and loan division~~
14 ~~of savings institutions and the division~~ of banking that establish procedures for
15 enforcing a lender’s rights in security given for a loan under this subsection.”.

****NOTE: This item corrects a reference to reflect the renaming of the division of savings and loan to the division of savings institutions.

16 **52.** Page 1105, line 13: after that line insert:

17 “SECTION ~~2367~~ 233.20 (1) of the statutes is amended to read:

INS
1-6

18 233.20 (1) The Subject to s. 233.24, the authority may issue bonds for any
19 corporate purpose. All bonds are negotiable for all purposes, notwithstanding their
20 payment from a limited source.”

****NOTE: This item is necessary to conform to the drafting instruction that UWHCA may not issue bonds for the purpose of purchasing a clinic or a hospital.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0201/2
RAC;jlg:hmh

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