



February 1st, 2024

Testimony on SB 690

Senate Committee on Government Operations

Relating to: financing the operating costs and certain out-of-state projects of nonprofit institutions and compensation of employees of the Wisconsin Health and Educational Facilities Authority.

Thank you Chairman Stroebel and members of the committee for hearing this important legislation today. For context, the Wisconsin Health and Educational Facilities Authority or WHEFA is a quasi-governmental authority, created by the Wisconsin Legislature in 1973 to provide active capital financing assistance to nonprofit organizations within Wisconsin. Over the years, the Wisconsin legislature has expanded the types of nonprofit organizations eligible for WHEFA financing assistance from just hospitals and other health care organizations, to include independent colleges and universities, certain continuing care facilities, private elementary and secondary schools, research facilities, and community rehabilitation providers. WHEFA's charter now allows all 501(c)(3) nonprofit organizations with a project in Wisconsin access to WHEFA's low-cost capital financing.

Over the past four decades, WHEFA has completed close to 1,000 financings, totaling more than \$30 billion in funds for nonprofit organizations. An economic impact study, completed in 2019, identified that WHEFA's issuances have supported 5,826 jobs, \$439 million in gross domestic product, and \$308 million in labor income annually, on average.

Funds for each project are obtained through the sale of revenue bonds issued by WHEFA. Bond sale proceeds are loaned by WHEFA to the borrowing organization or project sponsor. WHEFA's bonds are payable solely out of loan repayments from the borrowing organization, sponsor or guarantor. The bonds are not a debt, liability, or "moral" obligation of the State of Wisconsin or any of its political subdivisions meaning no state or other public funds are used. Interest received on certain WHEFA bonds is exempt from federal, and in some cases, Wisconsin income taxation resulting in substantial lower financing costs to the borrowing organization.

SB 690 would expand WHEFA's ability to finance projects by allowing the authority to issue bonds not just for capital project costs but also for working capital costs, which includes operational and logistical expenses. This change would streamline the entire financing process for all parties involved by creating transaction efficiencies and eliminating unnecessary red tape. Additionally, this bill would help expand WHEFA's reach across state lines by allowing the authority to fund projects outside Wisconsin provided that, 1. The project includes a substantial component located within the state, and 2. If the owner or operator of the project, or an affiliate of the owner or operator, has a presence within Wisconsin. Building synergy with other interstate non-profits and financing authorities only strengthens WHEFA's regional position and credibility in a very competitive landscape.

As the operating environment for non-profit organizations continues to evolve, SB 690 will make the necessary changes to further modernize WHEFA and ensure that the authority is able to continue to serve non-profit organizations throughout the State of Wisconsin for years to come. The changes laid out in this bill will also help WHEFA continue their impressive track record of contributing to Wisconsin's economic prosperity and wellbeing. Thank you for the opportunity to testify on this bill, and I will happily take any questions you might have.

Respectfully,

A handwritten signature in black ink, appearing to read "Jesse James".

Senator Jesse James
23rd Senate District
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Testimony before the Senate Committee on Government Operations

Senate Bill 690

February 1, 2024

Thank you, Chair Stroebel, Vice-Chair Bradley, and members of the Senate Committee on Government Operations for holding a public hearing on Senate Bill (SB) 690. In short, SB 690 allows the Wisconsin Health and Educational Facilities Authority (WHEFA) to issue bonds for working capital costs, including operational and logistical expenses. This expansion for WHEFA's financing authority eliminates unnecessary red tape and creates transaction efficiencies.

WHEFA issues bonds for qualified projects, the funding for these bonds is obtained through the sale of their own revenue bonds. Bond sale proceeds are loaned by WHEFA to the borrowing organization or project sponsor. WHEFA's bonds are payable solely out of loan repayments from the borrowing organization, sponsor or guarantor. It is important to note that the bonds are not a debt, liability, or "moral" obligation of the State of Wisconsin or any of its political subdivisions, and no state or other public funds are used. The first major component of SB 690 is allowing WHEFA to issue bonds for working capital costs, which is not permitted under current law.

A second component of this Bill is allowing WHEFA to issue bonds for projects outside of Wisconsin. These projects must meet two qualifications. The first is the project includes a substantial component located within the state. The second, is the owner or operator of the project, or affiliate of the owner or operator has a presence within Wisconsin. This provision allows eligible organizations who have a presence in Wisconsin to expand their reach to other states.

In today's business climate, nonprofit organizations may find it difficult to access adequate funding to meet their working capital needs. This Bill increases the amount of funding nonprofit institutions may receive for working capital from the insignificant amount currently allotted by Chapter 231. Additionally, there is no fiscal impact on the state, saving taxpayer dollars.

Thank you for your kind attention and consideration of this Bill. I am happy to answer any questions you may have.

Testimony to the Committee on Government Operations

Larry D. Wiemer II, Executive Director of WHEFA

Thursday February 1, 2024

Good morning, Chairman Stroebel and members of the committee. My name is Larry Wiemer, and I serve as the Executive Director for the Wisconsin Health & Educational Facilities Authority (a/k/a WHEFA). I am joined by Nate Fronk, an attorney with Quarles & Brady who serves as WHEFA's general counsel and bond counsel.

I am here to testify in support of Senate Bill 690 which provides updates to the statutes governing WHEFA's authority, in three targeted areas: specifically, (i) the issuance of bonds to finance working capital expenditures, (ii) expansion of our cross-border authority and (iii) provide additional flexibility with respect to compensation.

Before I begin, I would like to thank Senator James and Representative Rozar for their work on this proposal. I would also like to thank Chairman Stroebel for the opportunity to testify at this hearing.

By way of background:

- The federal government provides a mechanism for nonprofit organizations to fund their qualifying capital needs through tax-exempt bonds issued by a conduit authority. WHEFA was created in 1973 to serve as such a conduit-issuer for nonprofits in Wisconsin. Through the issuance of tax-exempt bonds issued by WHEFA, the nonprofit receives a lower interest rate because the interest income is exempt from federal (and sometimes State) income tax.
- WHEFA was initially created to provide capital financing assistance only to nonprofit hospitals and health care organizations. Our charter has been expanded on several occasions (most recently in 2013) such that WHEFA is now able to serve all nonprofit organizations throughout the state.
- WHEFA is one of the most active conduit issuers of tax-exempt bonds in the country, having completed 975 financings totaling in excess of \$32 billion dollars and creating more than 230,000 jobs throughout Wisconsin.
- WHEFA relies on nominal fees charged to the borrowers to pay its expenses. WHEFA receives no state funding for our operations. Furthermore, the State of Wisconsin is not obligated on any of the bonds issued by the Authority.

The legislation before you today is critical to WHEFA's continued success in serving all 501c3 organizations, as it will modernize certain aspects of the Statute to allow WHEFA to respond to the dynamic and evolving marketplace of our constituents.

- The first provision would allow WHEFA to issue taxable bonds specifically for the purpose of financing working capital. This request is in response to feedback WHEFA has received from borrowers who are using WHEFA to issue tax-exempt bonds to finance qualifying capital projects, but also need assistance with working capital during the construction phase. Many nonprofits in this situation are not able to generate project revenue until after construction has been completed. Currently, nonprofits often obtain working capital financing to fund start-up costs (i.e., training, supplies etc.) from other, more costly, sources. The legislation before you would allow WHEFA to issue bonds to finance these working capital needs. Working capital bonds issued by WHEFA would provide the borrower with access to lower cost financing as the taxable bonds will open the door to additional sources of funding (investors)

that are not otherwise available to the nonprofit. Because the working capital bonds would be taxable, there is no fiscal impact to the State of Wisconsin. Furthermore, the State has no obligation to repay any bonds issued by WHEFA under any circumstances.

- The second provision of Senate Bill 690 is designed to ensure that WHEFA can continue to serve our legacy Wisconsin based borrowers as the market evolves. Currently, WHEFA can issue bonds to finance the costs of projects outside of Wisconsin only if a “substantial component” of the expenditures are located within the state. This bill would allow WHEFA to issue tax-exempt bonds so long as the borrower has a “presence” within the state. For example, Aspirus Health in Wausau recently merged with Minnesota based St. Luke’s and the headquarters will be in Wausau. The proposed language will allow WHEFA to assist Aspirus with their financing needs in either Wisconsin or Minnesota because even for the financing and refinancing of hospital projects wholly outside of Wisconsin, the savings would directly accrue to Aspirus, a Wisconsin based nonprofit. This is similarly the case with many healthcare systems, such as Unity Point Health with hospitals in Iowa, Illinois and Madison, Wisconsin; Beloit Health System – in Wisconsin and northern Illinois; Gunderson Health - in Wisconsin, Iowa and Minnesota; and Advocate Health - in Alabama, Georgia, Illinois, North Carolina, South Carolina and Wisconsin. Without this update, similar agencies in other states could step in to assist these health systems. As is the case with all WHEFA projects, the State of Wisconsin is not financially liable for any obligations.
- Finally, SB 690 would provide the WHEFA Governing Board with additional flexibility to set salary levels. Although no taxpayer dollars are used to fund WHEFA salaries, currently the salary levels for the Executive Director and staff are limited to Executive Salary Grade level 6 and 3, respectively. This bill would increase those levels to Executive Salary Grade level 8 and 5, respectively. This change would strengthen WHEFA’s ability to competitively attract and retain specialized finance professionals. Similar to the other provisions in the bill, there would be no fiscal impact to the State of Wisconsin by increasing salary levels. As one of the most active issuers of tax-exempt bonds in the country, WHEFA relies on nominal issuance fees charged to the borrowers to pay 100% of its annual expenses. No taxpayer dollars are used to fund its operations.

In closing:

- I would like to acknowledge the 20 different nonprofit organizations that submitted a coalition letter as well as the five organizations that have registered their support of this bill.
- WHEFA has been providing nonprofit organizations with access to low-cost financing options for over 50 years. The modifications included in this bill allow WHEFA the flexibility to continue to fulfill its mission.
- Furthermore, as stated earlier, because WHEFA receives no state funding, these requests have no fiscal impact on the State of Wisconsin.

Thank you for the opportunity to testify. I hope the committee will support Senate Bill 690.

I would be happy to answer any questions.

January 30, 2024

Wisconsin State Legislature
Madison, WI 53708

Dear Legislators,

As non-profit organizations doing business in the State of Wisconsin, we, the undersigned, encourage your support of SB690 and AB724, authored by Senator Jessie James and Representative Donna Rozar, which will update Wis. Stat. §231 and allow the Wisconsin Health and Educational Facilities Authority (WHEFA) to better serve our organizations.

The legislation will update the statutes governing WHEFA as follows:

- Allow WHEFA to issue bonds for the purpose of financing working capital. This expansion will allow WHEFA to provide one-stop financing to an entity to cover all aspects of the project.
- Authorize WHEFA to finance projects to all entities with a presence in Wisconsin. Current law allows WHEFA to help finance the costs of projects located outside of Wisconsin provided that the project includes a substantial component located within the state. This change will clarify existing language and help ensure WHEFA can continue to support borrowers given the continued evolution of the operating environment and competitive landscape in which nonprofit organizations operate.
- Increase the salary range for the executive director's compensation from Executive Salary Grade (ESG) 6 to ESG 8 and increase the staff salary range from ESG 3 to ESG 5. Wisconsin statutes currently define salary ranges for the authority, although no taxpayer dollars are used to fund WHEFA salaries and overhead. WHEFA's Board has made this request in order to competitively attract and retain experienced and highly specialized finance professionals to ensure WHEFA is able to continue the exceptional level of service they have historically provided.

We represent nonprofit hospitals, long-term care and elderly housing providers, educational institutions, cultural facilities, and other public charities found in virtually every community in Wisconsin. Our organizations and the services provided are vital to Wisconsin's economy.

As the operating environment and competitive landscape for nonprofit organizations continues to evolve, we encourage your support of the provisions of the bill to modernize WHEFA's operating authority, thereby enhancing their ability to support our organizations.

Sincerely,

<p>Ascension Health St. Louis, MO</p> 	<p>LindenGrove Communities Brookfield, WI</p> 
<p>Benevolent Corporation Cedar Community West Bend, WI</p> 	<p>Marshfield Clinic Health System Marshfield, WI</p> 
<p>Carroll University Waukesha, WI</p> 	<p>Medical College of Wisconsin Milwaukee, WI</p> 
<p>Eau Claire Community Complex (EC3) Eau Claire, WI</p> 	<p>Milwaukee Catholic Home Milwaukee, WI</p> 
<p>Essentia Health Duluth, MN</p> 	<p>Mount Mary University Milwaukee, WI</p> 
<p>Evergreen Retirement Community Oshkosh, WI</p> 	<p>Reedsburg Area Medical Center Reedsburg, WI</p> 
<p>Fort HealthCare Fort Atkinson, WI</p> 	<p>RWHC Madison, WI</p> 
<p>Froedtert Health Wauwatosa, WI</p> 	<p>Saint John Community Milwaukee, WI</p> 
<p>Illuminus Watertown, WI</p> 	<p>St. Camillus Wauwatosa, WI</p> 
<p>Leading Age Wisconsin Madison, WI</p> 	<p>WCRIS Madison, WI</p> 