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To: The Senate Committee on Government Operations, Labor and Economic Development
From: Sen. Dan Feyen
Re: Senate Bill 62

Hello members of the committee, thank you for taking the time to hear testimony on SB 62.

The Wisconsin Health and Educational Facilities Authority (WHEFA) is a quasi-governmental authority, created in 1973 to provide active capital financing assistance to nonprofit organizations within Wisconsin. Since its inception, the legislature has expanded the types of nonprofit organizations eligible for WHEFA financing from hospitals and health care, to independent colleges, certain continuing care facilities, private elementary and secondary schools, research facilities, and community rehabilitation providers. WHEFA now allows all 501(c)(3) organizations with a project in Wisconsin access to WHEFA's low-cost capital financing. In its history, WHEFA has completed close to 1,000 financings, totaling more than \$30 billion in funds. 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.

SB 62 makes several changes that will help modernize how WHEFA operates and set them up for continued success. First, this bill allows WHEFA to issue bonds for working capital. This helps nonprofits bridge the gap between construction and revenue generation. Cashflow is often an enormous barrier during the start-up phase.

Currently, WHEFA is allowed to help finance the costs of projects located outside of Wisconsin, provided the project includes a substantial component located within the state. This removes the substantial component language and allows WHEFA to finance projects for all nonprofits with a presence in Wisconsin. This change is necessary due to increasing consolidations in health care and education and will clarify existing language.

SB 62 also increases salary ranges for WHEFA staff. I want to be clear that no taxpayer dollars are used to pay WHEFA's salaries and this bill does not change that. SB 62 simply changes the statutory salary ranges for WHEFA employees, allowing them to reward their current employees and attract additional talent to the agency.

SB 62 is a relatively simple modernization of WHEFA, that allows the agency to have greater reach and to attract and retain great employees. Thank you again for taking the time to hear this bill.



DAVE ARMSTRONG

STATE REPRESENTATIVE • 67TH ASSEMBLY DISTRICT

Testimony on Senate Bill 62 May 21, 2025

Thank you for the opportunity today to testify on behalf of Senate Bill 62.

The Wisconsin Health and Educational Facilities Authority is a quasi-governmental authority that provides capital financing assistance to nonprofit organizations. While the Legislature originally created WHEFA to help health and educational facilities – as you might expect – WHEFA’s current charter allows all 501(c)(3) organizations to access financing for capital improvements in Wisconsin. WHEFA finances these projects through bonding.

WHEFA receives no state or public funds, and its bonds are *not* a debt, liability, or moral obligation of the state or local governments. A 2019 economic impact study found that WHEFA-financed projects supported an annual average of 5,826 jobs, \$439 million in gross domestic product, and \$308 million in labor income. Again, WHEFA accomplishes this without state or public funding.

SB 62 makes several changes to ensure WHEFA’s effectiveness and competitiveness going forward.

While WHEFA currently finances only capital project costs, SB 62 will allow WHEFA to finance *working* capital – operational costs. This will simplify the process for applicants and establish WHEFA as a one-stop shop for their capital needs.

SB 62 will also allow WHEFA to finance projects outside Wisconsin, as long as the owner or operator (or an affiliate) has a presence in Wisconsin. This would not only benefit nonprofits that operate in Wisconsin by increasing their access to capital, but it would benefit WHEFA by improving its regional position and reputation with interstate projects.

Lastly, SB 62 increases the maximum salary ranges for WHEFA’s executive director and other employees. This flexibility will help WHEFA recruit and retain qualified staff.

WHEFA plays an important role in Wisconsin’s nonprofit community, and it does so without state funding. SB 62 will allow it to improve its service to nonprofits and, by extension, the communities those nonprofits serve.

Thank you for your consideration.

Good afternoon, Chairman Feyen and members of the committee. My name is Larry Wiemer, and I am the Executive Director for the Wisconsin Health & Educational Facilities Authority, a quasi-governmental agency created by the Legislature in 1973, known as WHEFA.

Joining me today is Liz Blutsein, an attorney at Quarles & Brady, that serves as WHEFA's bond counsel.....[turn to Liz for her introduction].

We are here in support of Senate Bill 62 which provides important updates to the statutes governing WHEFA's authority.

Before I begin, I would like to thank Senator Feyen for his sponsorship of this proposal and would also like to thank this committee for the opportunity to testify on the issue.

WHEFA was created in 1973 to offer capital financing through tax-exempt bonds to hospitals, health care organizations, independent colleges and universities, K-12 private schools, and community-based non-profits in Wisconsin. The legislation presented is essential to WHEFA's ongoing ability to support these organizations, as it includes necessary updates to state law in response to the changing operating environment and competitive landscape of the entities we serve.

The first provision of SB62 would allow WHEFA to issue taxable bonds for the purpose of financing working capital. This provision addresses requests from borrowers who need help with working capital during the construction phase of their projects financed through WHEFA. Many nonprofit organizations undertake projects without generating revenue until construction is completed. Consequently, they obtain financing for working capital through alternative options. The legislation allows entities to work with WHEFA, in partnership with banks or other lenders, to financing these working capital expenditures, thereby improving transactional efficiencies. These loans would be taxable so there is no fiscal impact to the State of Wisconsin, and the State has no obligation to repay any bonds issued by WHEFA under any circumstances.

The second provision of Senate Bill 62 requests modifications to our charter to address and respond to the continued evolution of the industries we serve - specifically health care organizations. Currently, our charter specifies that WHEFA can help finance the costs of projects outside of Wisconsin if a substantial component is located within the state. SB62 revises the provisions to enable WHEFA to issue bonds for projects that incur expenditures outside the state, provided that the owner or operator maintains a **presence** within the state. For example, Aspirus Health in Wausau acquired Minnesota based St. Luke's last fall. Other notable examples include the merger of Aurora Health with Illinois based Advocate and SC based Atrium Health, as well as the most recent combination of Marshfield Clinic with South Dakota based Sanford Health. It is important to note that we are not seeing these modifications to proactively pursue projects outside the state of Wisconsin. Rather, the updated language will help ensure that WHEFA will be able to continue to assist our **legacy** borrowers with future financing needs throughout their expanded footprint. As is the case with all WHEFA projects, the State of Wisconsin is not financially liable for any obligations.

Finally, SB 62 would provide flexibility to modify the salary levels of WHEFA employees. Although WHEFA receives no taxpayer funds for salaries, overhead or any other operations, existing legislation restricts the Executive Director's salary to Executive Salary Grade (ESG) 6, and staff salaries to ESG 3. SB 62 would increase those levels to ESG 8 and 5, respectively. Salaries for the Executive Director are set by WHEFA's Board, and the Board also regularly reviews the salary levels for the staff. Raising the ESG levels will help WHEFA continue delivering effective services to Wisconsin nonprofits by offering competitive salaries to attract and retain 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 issuance fees for overhead and does not use any taxpayer dollars to fund its operations.

WHEFA has operated successfully providing nonprofit organizations with access to low-cost financing options since 1979 and we believe the modifications included in SB 62 will allow WHEFA to continue fulfilling their mission on behalf of the State of Wisconsin. We hope this committee will agree and support Senate Bill 62.

Please let me know if there are any questions that Liz or I can answer.