



Legislative Fiscal Bureau

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February 17, 2004

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 388 and Assembly Bill 757: Increase Bonding Authority for the University of Wisconsin Hospitals and Clinics Authority

Senate Bill 388 was introduced on January 14, 2004, and referred to the Senate Committee on Health, Children, Families, Aging and Long Term Care. On January 29, 2004, that Committee recommended passage of SB 388 on a vote of 9 to 0. The bill was referred to the Joint Finance Committee on February 3, 2004. Assembly Bill 757 was introduced on January 21, 2004, and referred to the Assembly Committee on Public Health. On January 28, 2004, that Committee recommended passage of AB 757 on a vote of 5 to 0. The bill was referred to the Joint Committee on Finance on January 29, 2004.

BACKGROUND

Under current law, the University of Wisconsin Hospitals and Clinics Authority (Authority) cannot issue bonds or incur indebtedness from the Wisconsin Health and Educational Facilities Authority (WHEFA), if, after the bonds are issued or the indebtedness incurred, the amount of all outstanding bonds and indebtedness would exceed \$175,000,000. Excluded from this limit is bonds or indebtedness issued to refund outstanding bonds or indebtedness.

The 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 WHEFA, which provides financing to health facilities.

Under 2001 Act 16 (the 2001-03 budget act), the amount of bonds the Authority could issue or indebtedness it could incur was increased by \$68.5 million, from \$106.5 million to \$175 million. The Authority used or will use this \$68.5 million authorized in Act 16 to complete the following projects from October, 2002, through March, 2005: (a) relocating of the medical flight program and remodeling (\$3.7 million); (b) new ambulatory service facilities, including expansion of radiology patient amenities and diagnostic equipment and the Wisconsin Comprehensive Cancer Center Clinic and chemotherapy area, and the addition of a Breast Center (\$7.1 million); (c) relocating and remodeling the pediatric specialties clinic within the main clinic for growth in pediatric specialty areas, such as neurosurgery, oncology, and chemotherapy (\$1.3 million); (d) remodeling of radiology and rehabilitation medicine to accommodate an inpatient holding area and general waiting areas (\$4.0 million); (e) expanding the clinic to include an ENT clinic, neurosurgery clinic, and plastic surgery clinic to support the surgery clinic (\$3.6 million); (f) remodeling the cancer center to include an oncology patient education center, additional ambulatory care support space, and additional chemotherapy and transfusion stations (\$3.4 million); (g) remodeling the ambulatory services building to accommodate a magnetic resonance imaging system and infrastructure for miscellaneous needs (\$4.2 million); (h) remodeling inpatient facilities (\$17.6 million); (i) remodeling the Westin library, service line, and convenience store (\$4.0 million); (j) expanding radiotherapy (\$1.0 million); (k) remodeling and expanding the emergency department (\$10.0 million); and (l) expanding and remodeling the cardiology department (\$8.6 million).

As of January 14, 2004, the Authority had total outstanding debt of \$196.1 million. Debt that was in existence prior to the formation of the Authority is not subject to the cap. Of the total outstanding debt, the Authority has incurred indebtedness from WHEFA in the amount of \$21.1 million.

SUMMARY OF BILLS

Senate Bill 388 and Assembly Bill 757 would increase the amount of bonds the Authority could issue or indebtedness it could incur by \$60 million, from \$175 million to \$235 million.

As part of its strategic planning, the Authority has identified projects that would require additional borrowing, including: (a) building a new University of Wisconsin Children's Hospital 80-bed facility, which would expand and update the current facilities (\$35.0 million); (b) remodeling and expanding operating rooms off site or as part of the Children's Hospital (\$12.0 million); (c) remodeling and expanding off-campus office facilities to permit emergency room expansion and medical records relocation (\$6.2 million); and (d) enhancing information technology to continue development of electronic medical records (\$6.8 million). The Children's Hospital would also receive funding from a gift from American Family Insurance (\$10 million) and from other donations (\$17 million). Senate Bill 388 and Assembly Bill 757 would authorize the Authority to increase the amount of bonds it could issue or indebtedness it could incur by \$60 million to support these projects.

FISCAL EFFECT

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 bonds are paid from whatever hospital revenues the Authority pledges at the time of bond issuance.

The Authority indicates that it has maintained, and will continue to maintain, appropriate financial ratios to attract lenders to purchase its revenue bonds, and to fund the principal and interest payments due on bonds.

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