

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Capital Reserve Fund Bonding Authorization (Item #1)

Motion:

Move to increase the limit of outstanding bonds backed by WHEDA's capital reserve fund from \$600 million to \$800 million.

Note:

Under current law, WHEDA manages a capital reserve fund, which must maintain a balance sufficient to cover the maximum amount of debt service expected in one year for all bond issues backed by the fund. As of December 31, 2018, \$398.7 million in outstanding bonds were backed by the capital reserve fund. As WHEDA operates as an independent authority, bonds issued under its authority do not carry the general obligation of the state. However, the state has pledged its moral obligation to the capital reserve should it become deficient; no such deficiency has ever occurred.

The Governor's proposal increases the reserve to \$1 billion. WHEDA reports the proposal is intended to support increased demand for bonding prompted by creation of the state low-income housing tax credit under 2017 Wisconsin Act 176. Under the law, developments applying for state tax credits must be financed with tax-exempt bonds, which are issued by WHEDA.