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Testimony before the Assembly Committee on State Affairs

AB 689

January 26, 2022

Rep. Donna Rozar (R-69)

Thank you, Chair Swearingen and members of the Assembly Committee on State Affairs for holding a public hearing on AB 689: relating to financing the working capital of nonprofit institutions. Current law only allows for financing of specific projects with bonding from the Wisconsin Health and Educational Facilities Authority (WHEFA). As noted by the Legislative Reference Bureau, this Bill authorizes WHEFA to issue bonds for the purpose of funding working capital of nonprofit institutions, which is currently not allowed.

In today's business climate, nonprofit organizations find it difficult to access funding to meet their working capital needs. This Bill allows for that funding. The funding will not be exempt from taxation. The Bill allows only available funds to be accessed for bonding. There is no request for additional money.

Thank you for your kind attention and consideration of this Bill. I will be glad to answer any questions you have.

STATE SENATOR KATHY BERNIER
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From: Senator Kathy Bernier
To: The Assembly Committee on State Affairs
Re: Testimony on Assembly Bill 689
Relating to: financing the working capital of nonprofit institutions.
Date: January 26, 2022

Thank you Chairman Swearingen and committee members for allowing me to provide testimony on Assembly Bill 689 today. This bill was something that had been discussed in the budget but ultimately was not included. I am glad to bring it forward for consideration today.

The Wisconsin Health and Educational Facilities Authority (WHEFA) is a quasi-governmental entity created to help nonprofits have access to low-cost financing. WHEFA is funded solely by user fees and does not receive taxpayer funds, nor is the debt a liability or obligation of the State of Wisconsin.

Current law does not permit WHEFA to issue bonds for working capital expenditures in the quantities requested by nonprofits. By giving those nonprofit entities another financing option at potentially lower interest rate, we could help lower costs. Additionally this bill could allow those already financing capital improvements from WHEFA to also incorporate working capital expenditures.

This bill would benefit nonprofit hospitals, health care institutions, long-term care facilities, independent colleges and other nonprofits.

I appreciate your willingness to hear this bill today and I hope the committee recommends its passage swiftly.

Good afternoon, Chairman Swearingen, and members of the committee.

My name is Dennis Reilly, and I am the Executive Director of Wisconsin Health and Educational Facilities Authority (WHEFA).

A quick background on who WHEFA is.... WHEFA was created by the Wisconsin Legislature in 1973 and provides capital financing through the issuance of tax-exempt bonds to all Wisconsin nonprofit entities including hospitals, independent colleges, and universities, continuing care facilities, private elementary and secondary schools, and other not-for-profit organizations.

Bonds issued by WHEFA are not considered indebtedness of the State of Wisconsin, and the State has no obligation to repay any bonds issued by WHEFA under any circumstances. Additionally, WHEFA does not utilize any State moneys to fund its operations.

Since inception, WHEFA has completed over 900 financings totaling more than \$30 billion, including \$16 billion in new money capital projects. We currently have approximately 192 financings outstanding for 107 different nonprofits totaling \$8.76 billion.

I am here, on behalf of nonprofits here in Wisconsin, in support of Assembly 689 which makes a technical change to the statutes governing WHEFA by clarifying that nonprofit institutions can finance working capital expenditures through WHEFA when bonds are issued on a taxable basis.

Due to COVID-19 and other economic disruption, it is truly in the best interest of Wisconsin 501c3 entities if Chapter 231 were amended to allow WHEFA to finance working capital expenditures for its eligible 501c3 entities when the bonds are issued on a taxable basis.

In recent years (and particularly in times like the present) we have started seeing more inquiries about taxable deals for entities that would see pricing benefits from having WHEFA issue the bonds and that would like to finance more than an insignificant amount of working capital.



These private, nonprofit organizations are already eligible to finance their working capital costs through traditional financial institutions, this bill merely gives them another low-cost option, another 'tool' in their 'financing toolbox.'

As with all bonds issued by WHEFA, these taxable bonds would have NO fiscal impact to the state.

Recent examples include Marshfield Clinic and Aspirus Wausau Hospital, both if given an option would have financed their working capital expenditures with the issuance of taxable bonds through WHEFA. Instead, an alternate plan of finance was required.

This bill is supported by other organizations as well, including Children's Hospital of Wisconsin, the Rural Wisconsin Health Cooperative and Concordia University.

And this request is not unique. Just last week the Governor in New Jersey signed into law a change to their state-wide authority providing them the ability to financing working capital loans.

Once again, thank you for your time and I encourage your support of AB 689.

If you have any questions, I would be happy to answer them at this time.



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