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THE ECONOMIC IMPACT OF THE WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY



James Diffley, Senior Director,
IHS Economics
+1 215 789 7422
James.Diffley@ihs.com

Preface

- WHEFA commissioned IHS Economics to provide an independent study of the economic impacts of the capital projects funded by the bonds it has issued.
- This analysis focused on the estimation of the impact on jobs, incomes, production, and tax revenues within Wisconsin.
- The research was conducted using a macroeconomic model of the state economy in which inter-industry supply and purchasing relationships identify the economic activity which flows from direct project expenditures.
- The estimates include the direct employment and income generated in project construction and the indirect employment and income created as expenditures flow to suppliers of goods and services throughout Wisconsin.
- Job numbers are expressed in full-time annual equivalents and should be interpreted as temporary, associated only with project fulfillment.

Executive Summary

- WHEFA issued \$4.18 billion (\$418 million annual average) in new money financing for construction projects over fiscal years 2005-2014 focused on healthcare and educational institutions.
- These projects had wide ranging economic impacts on Wisconsin, supporting 6,484 jobs, \$307 million in labor income, and \$434 million in gross domestic product annually on average from 2005-2014.
- Over the previous 35 years (1979-2014), WHEFA issued \$9.03 billion in new money financing for construction projects, supporting 5,361 jobs, \$359 million in gross domestic product, and \$254 million in labor income annually on average.
- In addition to the economic gains attributed to these expenditures, the projects financed through WHEFA also create long-term jobs and economic value through the education, healthcare, and other non-profit institutions it supports.

Wisconsin economic impact

- WHEFA-financed projects had a \$434 million average annual impact on gross domestic product from 2005-2014; this contributed 0.17% to Wisconsin's gross domestic product in 2013.
- 501(c)(3) projects financed by WHEFA supported an average of 6,484 total jobs annually from 2005-2014 during a difficult period for Wisconsin when total employment grew by just 6,282 jobs per year on average.
- WHEFA financing directly supported the construction sector: Wisconsin lost 2,556 construction jobs a year on average between fiscal years 2005 and 2014, contracting 2.2% annualized.
- These WHEFA-financed projects supported the retention of 3,396 construction jobs on average over the past ten years.
 - The construction sector was one of the worst performing sectors in Wisconsin over this period.
 - It employs 3.5% of the total workforce.

Types of projects financed through WHEFA

- General acute care hospitals
- Critical access hospitals
- Children's hospitals
- General medical and surgical facilities
- Single specialty hospitals
- Higher education and private school facilities
- Senior and assisted living and nursing homes
- Behavioral health care centers
- Community providers

Examples of healthcare and education

- Children's, Single Specialty, General Acute Care Hospitals:
 - Detect, prevent, control, and cure disease
 - Employ workers at every skill level
 - Over 375,000 employed in healthcare services industry in WI
 - Healthcare services comprises over 13% of total state employment
 - Provides stability and growth in economic downturns
 - Industry historically immune to business cycle fluctuations
 - Demographic changes and technological advances drives investment demand
 - Positive socio-economic externalities
 - New hospitals lure other businesses and provide for healthier communities
- Higher and primary education:
 - Supports and attracts a more productive workforce, center for research and innovation, helps spur new business ventures
 - Improves state competitiveness

WHEFA project examples: healthcare and long term care

- Agnesian HealthCare (2013): \$54 million in financing for the construction and equipping of a replacement critical access hospital and an adjacent medical clinic in Ripon. The bond funds will also go towards the expansion of an existing ambulatory surgery center.
- Bethany Lutheran Homes (2014): \$21 million in financing to construct and equip a new senior housing facility and related supportive services and facilities in La Crosse. The residential care apartment complex will feature 80 independent living plus apartments, 34 high acuity assisted living apartments, 18 memory care apartments and 12 high acuity assisted living apartments for end of life care.
- Southwest Health Center (2014): \$7.2 million in financing to construct, renovate, and equip an orthopedic and rehabilitation center, a women's health center, an oncology center, a specialty clinic, and the administration and health information management departments.

WHEFA project examples: education and social services

- Carthage College (2014): \$20 million in financing for the construction and equipping of a new science center and the renovation of the current science center.
- St. Vincent de Paul (2014): \$9.7 million in financing to expand and remodel a resale facility in Madison, acquire and renovate a resale facility in Sun Prairie, and remodel and expand a current distribution facility in Madison to help with capacity and efficiency.

Using IMPLAN to model 501(c)(3) impacts

- Economic activity generated by project expenditures on goods and services is derived from national and regional inter-industry purchasing relationships which detail the industries to which spending flows as goods and services are delivered to complete the project.
- Two types of economic impacts generated through the supply chain linkages:
 - *Indirect effects* are generated when a business directly involved in the change in spending purchases inputs from its suppliers located in the region. This spending supports suppliers as well as the business supporting those firms, etc.
 - *Induced effects* are produced by the change in local spending of disposable income by all the workers involved in the event being studied, including both the direct workers supported by the initial changes in final demand (e.g., the construction workers) and by workers in the supplying industries (e.g., firms that sell concrete to the contractor).

WHEFA financing : Wisconsin economic impacts

Economic Impacts, Annual Average, FY 2005-2014 (Current \$)

	Direct	Total
Employment (jobs)	3,396	6,484
Labor income (thous. \$)	174,559	306,750
Gross domestic product (thous. \$)	218,160	433,996
Output (thous. \$)	492,218	866,691
State/local taxes (thous. \$)		31,063
Federal taxes (thous. \$)		63,585

- These impacts are only those derived from the construction of the project. They do not include the jobs created or retained by the subsequent operation of the financed facility.
- They also do not include any negative impacts on tax revenues as a result of the use of tax-exempt bonds.

Wisconsin Economic Impacts by Fiscal Year

(Current \$)

	Employment (Jobs)	Labor Income (Thous. \$)	GDP (Thous. \$)	Output (Thous. \$)
2005	9,703	459,063	649,491	1,297,034
2006	5,816	275,176	389,324	777,480
2007	8,249	390,266	552,156	1,102,656
2008	7,513	355,450	502,897	1,004,286
2009	6,913	327,048	462,714	924,040
2010	11,899	562,968	796,498	1,590,607
2011	1,797	84,998	120,257	240,153
2012	6,569	310,780	439,697	878,075
2013	4,903	231,992	328,227	655,469
2014	1,475	69,763	98,702	197,108
Total	64,835	3,067,504	4,339,964	8,666,908
Average	6,484	306,750	433,996	866,691

Employment Impacts By Industry (Average Annual Jobs, 2005-2014)

INDUSTRY	Total
TOTAL	6,484
Construction	3,422
Trade, Transportation, & Utilities	649
Professional & Business Services	645
Education & Health Services	464
Financial Services	393
Leisure & Hospitality Services	359
Other Services	232
Manufacturing	215
Information Services	52
Government	33
Agriculture, Forestry, Fishing	17
Natural Resources & Mining	2

Employment Impacts By Industry (Average Annual Jobs, 2005-2014)

Industry	Total	Direct	Indirect	Induced
Construction	3,422	3,396	12	14
Trade, Transportation, & Utilities	649	-	168	481
Professional & Business Services	645	-	479	166
Education & Health Services	464	-	1	464
Financial Services	393	-	125	267
Leisure & Hospitality Services	359	-	69	290
Other Services	232	-	71	161
Manufacturing	215	-	181	34
Information Services	52	-	24	28
Government	33	-	8	25
Agriculture, Forestry, Fishing	17	-	5	13
Natural Resources & Mining	2	-	1	0

WHEFA-financed projects: Long-term economic impacts

Wisconsin Economic Impacts, Annual Average, FY 1980-2014 (Current \$)

	Direct	Total
Employment (jobs)	2,808	5,361
Labor income (thous. \$)	144,327	253,625
Gross domestic product (thous. \$)	180,377	358,833
Output (thous. \$)	406,971	716,590
State/local taxes (thous. \$)		25,683
Federal taxes (thous. \$)		52,573

- These impacts are only those derived from the construction of the project. They do not include the jobs created or retained by the subsequent operation of the financed facility.
- They also do not include any negative impacts on tax revenues as a result of the use of tax-exempt bonds.

Findings

- WHEFA financing supported 6,484 jobs on average over the last ten years in a wide array of industries and also supported \$434 million in gross domestic product and \$307 million in labor income annually on average with jobs paying wages above the state average.
- The long-term impact is also significant: 5,361 jobs, \$359 million in gross domestic product, and \$254 million in labor income was supported annually on average from 1979-2014.
- The construction projects funded create economic value for Wisconsin, increasing quality of life and state competitiveness.
- WHEFA financing helps nonprofits attain lower-cost funding even during challenging economic times when traditional financing options are thinnest. This helps fund new construction projects when they are needed most.

Conclusion

- Since its creation in 1979, WHEFA has issued **753 bonds** totaling more than **\$20.6 billion** and representing more than **\$9.0 billion** in new money capital projects, supporting more than **5,300 jobs** on average annually in the Badger State.
- In the last ten years, WHEFA has issued **290 bonds** totaling more than **\$11.6 billion** and representing more than **\$4.1 billion** in new money capital projects, supporting more than **6,480 jobs** on average annually in the Badger State.

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