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# The Economic Impact of the Wisconsin Health and Educational Facilities Authority

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## Preface

- WHEFA commissioned IHS Markit 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 \$8.7 billion (\$582 million annual average) in new money financing for construction and capital spending projects over fiscal years 2005-2019 focused on healthcare, educational, and other non-profit institutions.
- These projects boosted labor market growth, creating 3,308 jobs directly and supporting 7,351 jobs overall including the indirect and induced impacts annually on average from FY 2005-2019.
- WHEFA financed projects also supported \$386 million in labor income and \$553 million in gross domestic product annually from FY 2005-2019.
- Over the previous 40 years (FY 1980-2019), WHEFA issued \$15.1 billion in financing for construction and capital spending projects, supporting 5,826 jobs, \$439 million in gross domestic product, and \$308 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 economic value through the education, healthcare, and other non-profit institutions it supports.

## Wisconsin economic impact

- WHEFA financing had a \$553 million impact on gross domestic product annually from FY 2005-2019; this contributed 0.16% to Wisconsin's gross domestic product in 2018.
- 501(c)(3) projects financed by WHEFA supported an average of 7,351 total jobs annually from FY 2005-2019 during a difficult period for Wisconsin when total employment grew by just 12,872 jobs per year on average.
- WHEFA financing directly supports the construction sector: growth in Wisconsin's construction sector was basically flat over the past 15 years due to the heavy losses incurred around the 2009 recession.
- If tax-exempt financing was not available in Wisconsin for the last 15 years, Wisconsin would have lost the 3,337 construction jobs a year supported through WHEFA and the sector would have struggled even more.
  - > The construction sector was one of the worst performing sectors in Wisconsin over this period.
  - > It employs 4.2% 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 400,000 employed in healthcare services industry in WI
    - Healthcare services comprises almost 14% of total state employment
  - > Provides stability and growth in economic downturns
    - Industry historically immune to business cycle fluctuations
    - Demographic changes and technology drive 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

- Spoooner Health System (2015): \$21 million in financing for the acquisition, construction, and equipping of a 82,500 square foot replacement, 20-bed critical access hospital. The replacement hospital will be located on an approximately 58-acre parcel of property in Spooner, Wisconsin and will provide inpatient and outpatient services.
- Bethany Lutheran Homes (2018): \$47 million in financing for the acquisition, construction and equipping of an addition to the existing Eagle Crest South senior housing facility in La Crosse, Wisconsin. The project will add 181 units to be comprised of 112 independent living residential care apartment units, 36 assisted living units and 33 memory care units along with related supportive services and facilities. Bond proceeds were also used to refinance bonds previously issued by WHEFA in 2014 at a lower interest rate, allowing it to operate more efficiently.
- Stoughton Hospital (2018): \$3.5 million in financing for the renovation, remodeling, expansion and equipping of the medical imaging area, surgical services physician changing room and certain other capital improvements at the hospital in Stoughton, Wisconsin.

## WHEFA project examples: education and social services

- Carthage College (2017): \$43 million in financing for the acquisition, construction, renovation and equipping of a new approximately 52,000 square foot student residence hall that will connect existing residence halls on the Carthage campus. Proceeds of the bond financing were also used to refinance bonds previously issued by WHEFA in 2012 and 2013, enabling Carthage College to operate more efficiently.
- Goodwill (2017): \$7.3 million in financing for the acquisition, construction, renovation, remodeling and equipping of various retail stores and training facilities located in Neenah, Oshkosh, and Plover, Wisconsin, along with costs associated with the acquisition of and improvements to facilities located in Menasha.

## WHEFA project examples: education and social services

- Fox Valley Lutheran High School Federation Inc. (2017): \$4.8 million in financing for the construction and equipping of a 16,530 square foot addition to Fox Valley Lutheran High School, in Appleton, Wisconsin, including seven new general classrooms, a science lab, a bio-med lab, a new art classroom, a multi-use room and other classrooms, as well as the renovation and expansion of administrative and faculty office spaces.
- Madison Country Day School, Inc (2017): \$7.2 million in financing for the construction and equipping of a 21,000 square foot, three-story academic addition to house middle and high school classrooms, a music wing, and areas for science, technology, math and the humanities. Bond proceeds were also used to refinance certain outstanding indebtedness allowing the borrower to operate for efficiently.

## 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.
- 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

### Wisconsin Economic Impacts, Annual Average, FY 2005-2019 (Current \$)

	Direct	Total
Employment (jobs)	3,308	7,351
Labor income (thous. \$)	193,238	385,662
Gross domestic product (thous. \$)	241,505	553,275
Output (thous. \$)	608,041	1,134,631
State/local taxes (thous. \$)		44,801
Federal taxes (thous. \$)		80,942

- 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 negative impacts on tax revenues as a result of the use of tax-exempt bonds.

**Wisconsin Economic Impacts by Fiscal Year**  
(Current \$)

	Employment (Jobs, Direct)	Employment (Jobs, Total)	Labor Income (Thous. \$)	GDP (Thous. \$)	Output (Thous. \$)
2005	5,082	11,147	583,005	835,174	1,717,482
2006	3,046	7,735	398,596	577,768	1,150,104
2007	4,320	9,555	501,354	718,964	1,475,128
2008	3,935	8,668	450,892	645,906	1,328,499
2009	3,620	8,286	431,362	620,160	1,262,874
2010	6,232	13,515	709,532	1,015,929	2,093,788
2011	941	2,072	108,508	155,563	319,461
2012	3,440	7,083	374,980	534,580	1,114,972
2013	2,568	6,028	313,400	452,085	914,094
2014	772	1,702	87,977	126,051	259,284
2015	2,303	4,999	282,995	402,387	844,958
2016	4,255	8,818	466,404	665,643	1,385,334
2017	3,271	8,350	432,630	629,798	1,246,400
2018	3,256	6,650	350,412	499,136	1,043,819
2019	2,571	5,656	292,890	419,985	863,271
<b>Total</b>	<b>49,614</b>	<b>110,264</b>	<b>5,784,936</b>	<b>8,299,130</b>	<b>17,019,466</b>
<b>Average</b>	<b>3,308</b>	<b>7,351</b>	<b>385,662</b>	<b>553,275</b>	<b>1,134,631</b>

## Wisconsin Employment Impacts By Industry (Average Annual Jobs, FY 2005-2019 )

<b>INDUSTRY</b>	<b>Total</b>
TOTAL	7,351
Construction	3,337
Trade, Transportation, & Utilities	1,256
Professional & Business Services	754
Education & Health Services	518
Financial Services	449
Leisure & Hospitality Services	400
Manufacturing	258
Other Services	254
Information Services	65
Government	40
Agriculture, Forestry, Fishing	19
Natural Resources & Mining	2

### **Wisconsin Employment Impacts By Industry (Average Annual Jobs, FY 2005-2019)**

<b>Industry</b>	<b>Total</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>
Construction	3,337	3,308	14	15
Trade, Transportation, & Utilities	1,256	-	720	536
Professional & Business Services	754	-	569	185
Education & Health Services	518	-	2	517
Financial Services	449	-	151	298
Leisure & Hospitality Services	400	-	78	323
Other Services	258	-	219	38
Manufacturing	254	-	74	179
Information Services	65	-	34	31
Government	40	-	12	27
Agriculture, Forestry, Fishing	19	-	5	14
Natural Resources & Mining	2	-	1	0

## WHEFA financing: Long-term economic impacts

### Wisconsin Economic Impacts, Annual Average, FY 1980-2019 (Current \$)

	Direct	Total
Employment (jobs)	2,848	5,826
Labor income (thous. \$)	165,713	308,489
Gross domestic product (thous. \$)	207,105	439,318
Output (thous. \$)	521,431	918,613
State/local taxes (thous. \$)		33,394
Federal taxes (thous. \$)		64,321

- 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 negative impacts on tax revenues as a result of the use of tax-exempt bonds.

## Findings

- WHEFA financing supported 7,351 jobs annually over the last 15 years in a wide array of industries and also supported \$553 million in gross domestic product and \$386 million in labor income with jobs paying wages above the state average.
- The long-term impact is also significant: 5,826 jobs, \$439 million in gross domestic product, and \$308 million in labor income was supported annually from FY 1980-2019.
- The construction projects funded create economic value for Wisconsin, increasing quality of life and state competitiveness.
- WHEFA financing helps nonprofits attain low-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 completed **884 financings** totaling more than **\$28.1 billion** and representing more than **\$15.1 billion** in new money capital projects, supporting more than **233,000 jobs** in the Badger State.
- In the last 15 years, WHEFA has completed **421 financings** totaling more than **\$19.1 billion** and representing more than **\$8.7 billion** in new money capital projects, supporting more than **110,200 jobs** in the Badger State.