



## 2011 ASSEMBLY BILL 375

November 14, 2011 – Introduced by Representatives CLARK, FIELDS, BARCA, HEBL, STASKUNAS, POCAN, ROYS, MILROY, BERCEAU and BEWLEY, cosponsored by Senators HOLPERIN, HANSEN, S. COGGS, TAYLOR and MILLER. Referred to Committee on Rural Economic Development and Rural Affairs.

1     **AN ACT** *to amend* 234.83 (3) (a) 2., 234.83 (4), 234.90 (2) (h), 234.93 (3) (a) and  
2           234.93 (4) (a) (intro.); and *to create* 234.93 (1) (e) and 234.93 (1m) of the  
3           statutes; **relating to:** the Wisconsin Housing and Economic Development  
4           Authority's development reserve fund and small business and agricultural  
5           production loan guarantee programs.

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### *Analysis by the Legislative Reference Bureau*

This bill makes certain changes to loan guarantees made by the Wisconsin Housing and Economic Development Authority (WHEDA).

Under current law, WHEDA may guarantee repayment of a portion of the principal of a loan to a Wisconsin business employing 50 or fewer employees on a full-time basis if the proceeds of the loan are used for the expansion or acquisition of a business, the start-up of a child care business, or the start-up of a small business in a vacant storefront located in the downtown area of a rural community (small business loan guarantee). A small business loan guarantee may not exceed 80 percent of the principal of a loan or \$200,000, whichever is less.

The bill deletes the start-up of a child care business as an eligible use of loan proceeds subject to a small business loan guarantee, and the bill adds as an eligible use the start-up of a small business engaged in manufacturing, processing, contracting, agriculture, forestry, or providing services. The bill also raises the maximum limit of a small business loan guarantee to \$750,000.

Also under current law, WHEDA may guarantee a loan that meets certain conditions to a farmer to finance farming-related expenses (agricultural production

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loan guarantee). The term of a loan eligible for an agricultural production loan guarantee may not extend past March 31 of the calendar year following the calendar year in which the loan is made. The bill extends the eligible loan term to December 31 of the calendar year following the calendar year in which the loan is made.

Finally, under current law, small business loan guarantees and agricultural production loan guarantees, in addition to other kinds of loans guaranteed by WHEDA, are funded by the Wisconsin development reserve fund, which is administered by WHEDA. The total amount of loans that may be guaranteed by WHEDA under all loan guarantee programs funded by the Wisconsin development reserve fund is \$49,500,000. Annually on June 30, the balance remaining in the Wisconsin development reserve fund transfers to the general fund.

The bill raises the total limit of the Wisconsin development reserve fund to \$115,000,000. The bill also establishes a \$15,000,000 bonding limit for WHEDA for all small business loan guarantees and agricultural production loan guarantees combined. Any excess amounts raised by WHEDA under bonds for small business loan guarantees and agricultural production loan guarantees are not transferred to the general fund annually on June 30, but remain in the Wisconsin development reserve fund.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           **SECTION 1.** 234.83 (3) (a) 2. of the statutes is amended to read:

2           234.83 (3) (a) 2. The start-up of a ~~child care business~~ small business engaged  
3 in manufacturing, processing, contracting, agriculture, forestry, or providing  
4 services, including the purchase or improvement of land, buildings, machinery,  
5 equipment, or inventory.

6           **SECTION 2.** 234.83 (4) of the statutes is amended to read:

7           234.83 (4) GUARANTEE OF REPAYMENT. The authority may guarantee repayment  
8 of a portion of the principal of any loan eligible for a guarantee under sub. (1m). That  
9 portion may not exceed 80% of the principal of the loan or ~~\$200,000~~ \$750,000,  
10 whichever is less. The authority shall establish the portion of the principal of an  
11 eligible loan that will be guaranteed, using the procedures described in the

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1 agreement under s. 234.93 (2) (a). The authority may establish a single portion for  
2 all guaranteed loans that do not exceed ~~\$250,000~~ \$750,000 and a single portion for  
3 all guaranteed loans that exceed ~~\$250,000~~ \$750,000 or establish on an individual  
4 basis different portions for eligible loans that do not exceed ~~\$250,000~~ \$750,000 and  
5 different portions for eligible loans that exceed ~~\$250,000~~ \$750,000.

6 **SECTION 3.** 234.90 (2) (h) of the statutes is amended to read:

7 234.90 (2) (h) The term of the loan does not extend after ~~March~~ December 31  
8 of the calendar year following the calendar year in which the participating lender  
9 granted the loan.

10 **SECTION 4.** 234.93 (1) (e) of the statutes is created to read:

11 234.93 (1) (e) Moneys raised under sub. (1m).

12 **SECTION 5.** 234.93 (1m) of the statutes is created to read:

13 234.93 (1m) SUPPLEMENTARY FUNDING. The authority may issue not more than  
14 \$15,000,000 in negotiable notes and bonds to expand guarantees under ss. 234.83  
15 and 234.90.

16 **SECTION 6.** 234.93 (3) (a) of the statutes is amended to read:

17 234.93 (3) (a) Except as provided in par. (b), the total principal amount or total  
18 outstanding guaranteed principal amount of all loans that the authority may  
19 guarantee under the aggregate of the programs guaranteed by funds from the  
20 Wisconsin development reserve fund, excluding the program under s. 234.935, 1997  
21 stats., may not exceed ~~\$49,500,000~~ \$115,000,000.

22 **SECTION 7.** 234.93 (4) (a) (intro.) of the statutes is amended to read:

23 234.93 (4) (a) (intro.) Annually on June 30, until no balance remains, the  
24 authority shall transfer to the general fund any balance remaining in the Wisconsin

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**SECTION 7**

1 development reserve fund on that date, other than moneys obtained by the authority

2 under sub. (1m), after deducting an amount sufficient for all of the following:

3 (END)