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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Agriculture...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)

Assembly

Record of Committee Proceedings

Committee on Agriculture

Assembly Bill 913

Relating to: limits under the agricultural production loan guarantee program.

By Representatives Ott, Gronemus, Ainsworth, Towns, Townsend, Musser, Albers, Hines, Freese, Loeffelholz, Ward, Vruwink, Montgomery and Hahn; cosponsored by Senator Schultz.

February 26, 2004 Referred to Committee on Agriculture.

March 8, 2004 **PUBLIC HEARING HELD**

Present: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff and Vruwink.
Absent: (3) Representatives Balow, Hebl and Molepske.

Appearances For

- Representative Al Ott, 3rd Assembly District
- Antonio Riley, WHEDA, Madison
- Christopher Sosnay, Wisconsin Bankers Association, Madison

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Rose Oswald Poels, Wisconsin Bankers Association, Madison
- John Manske, Wisconsin Federation of Cooperatives, Madison
- Will Hughes, DATCP, Madison
- Laurie Fischer, Dairy Business Association, Oneida
- Sabrina Gentile, Wisconsin Farm Bureau, Madison
- Daryll Lund, Community Bankers of Wisconsin, Madison

Registrations Against

- None.

March 8, 2004 **EXECUTIVE SESSION HELD**

Present: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff and Vruwink.
Absent: (3) Representatives Balow, Hebl and Molepske.

Moved by Representative Ott, seconded by Representative M. Williams that **Assembly Amendment a2677** be recommended for introduction.

Ayes: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff and Vruwink.
Noes: (0) None.
Absent: (3) Representatives Balow, Hebl and Molepske.

INTRODUCTION OF ASSEMBLY AMENDMENT A2677
RECOMMENDED, Ayes 12, Noes 0

Moved by Representative Ott, seconded by Representative M. Williams that **Assembly Amendment a2677** be recommended for adoption.

Ayes: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff and Vruwink.
Noes: (0) None.
Absent: (3) Representatives Balow, Hebl and Molepske.

ASSEMBLY AMENDMENT A2677 ADOPTION
RECOMMENDED, Ayes 12, Noes 0

Moved by Representative Gronemus, seconded by Representative Hines that **Assembly Bill 913** be recommended for passage as amended.

Ayes: (12) Representatives Ott, M. Williams, Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff and Vruwink.
Noes: (0) None.
Absent: (3) Representatives Balow, Hebl and Molepske.

PASSAGE AS AMENDED RECOMMENDED, Ayes 12, Noes 0

Erin Napralla
Committee Clerk

Vote Record Committee on Agriculture

Date: 3/8/04

Moved by: Ott

Seconded by: Williams

AB 913

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt LRB 2677

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Steve Kestell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Larry Balow	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>12</u>	<u>1</u>	<u>3</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 3/8/04

Moved by: Ott

Seconded by: Williams

AB 913

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt LBB 2177

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>12</u>	<u>-</u>	<u>3</u>	<u> </u>

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 8/8/04

Moved by: Gronemus

Seconded by: Hines

AB 913

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

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Be recommended for:

- Passage
 Adoption
 Confirmation
 Concurrence
 Indefinite Postponement
 Introduction
 Rejection
 Tabling
 Nonconcurrence

Committee Member

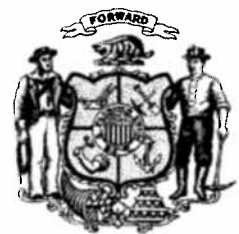
	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Tom Hebl	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>12</u>	<u>-</u>	<u>3</u>	<u> </u>

Motion Carried

Motion Failed



WISCONSIN STATE LEGISLATURE





Al Ott

State Representative • 3rd Assembly District

AB 913

Modifications to the WHEDA CROP Loan Program Assembly Committee on Agriculture March 8, 2004

WHEDA currently offers four agricultural financing programs - Credit Relief Outreach Program (CROP - referred to as the Agricultural Production Loan Guarantee in Ch. 234 of the statutes), Farm Asset Reinvestment Management (FARM), Beginning Farmer Bond Loan (BFB), and an Agribusiness Loan Guarantee.

WHEDA has done a relatively good job in administering these programs. However, WHEDA, the lending community, and agricultural producers all recognize the Authority is not proactive in meeting existing agricultural lending needs.

It has been brought to my attention that the CROP program, in particular, is not responsive to the needs of producers due to its \$30,000 loan maximum (90% of which is guaranteed by WHEDA). Agricultural lenders suggest that WHEDA cannot appropriately respond to the needs that exist, especially as we face the next growing season and the residual problems from the drought conditions of the past year.

WHEDA indicates that use of the CROP program has declined in recent years. Lenders argue this is because the program has become less useful and relevant for meeting the needs of producers.

Agricultural lenders, who work closely with producers, believe the CROP loan maximum needs to be increased. In 1984, the limit was \$20,000. That amount was raised to \$30,000 in 1993. AB 913 does not call for the spending of additional funds. Rather, the bill requires WHEDA to use current CROP funds in such a way as to maximize the benefits of the program to producers, which may mean an increase in the loan limit.

AB 913 contains language similar to AB 684 - creation of the Wisconsin Rural Finance Authority - authorizing WHEDA to set the maximum loan amount for the CROP program annually, no later than December 1st. The total maximum loan amount shall not exceed \$100,000, but shall be a minimum of \$30,000. The bill also requires an annual review to maximize the benefits of the program to the producer community.

AB 913 enables WHEDA to adjust the maximum loan amounts as agricultural conditions warrant, ensuring that CROP can be a relevant and useful program. I also feel AB 913 is an important step in preventing resources, that should be dedicated to CROP, from being diverted to other programs within WHEDA.

This bill is not aimed at depleting WHEDA's resources, nor is it intended to improve the CROP program to the detriment of other WHEDA programs. AB 913 does, however, call upon WHEDA to administer this program in such a way as to be responsive to the needs of the producer community. Requiring the Authority to make sure a program under their charge is used to its full potential is not an unreasonable request.

I understand that AB 913 may not be the answer in addressing the needs of the coming growing season, but if we do not act now, we will see CROP slip farther and farther down the list of WHEDA priorities. I strongly feel that this program, created by the State of Wisconsin for Wisconsin producers, should be given the attention it deserves.

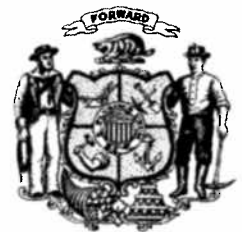
It is my hope the four agricultural financing programs will not reside for long with WHEDA, but rather be part of a Wisconsin Rural Finance Authority. However, as long as WHEDA is charged with administering these programs, it is the responsibility of the Legislature and the Authority to ensure the programs meet the needs they were established to address.

My office has worked with WHEDA to develop an amendment to AB 913. WHEDA has expressed concerns that a higher loan limit will deplete their resources and prevent them from guaranteeing a sufficient number of loans. Under the proposed amendment, any loans totaling less than \$50,000 would remain at the 90% guarantee. Loans totaling \$50,000 or more would be guaranteed at 80%.

Thank you for your time and consideration of AB 913.



WISCONSIN STATE LEGISLATURE





Testimony before the
Assembly Committee on Agriculture
In Favor of AB 913

3:00 pm, March 8, 2004
by Christopher Sosnay
Wisconsin Bankers Association

Chairman Ott, and Honorable committee members, thank you for the opportunity to testify before you today in support of AB 913. My name is Christopher Sosnay and I am the Assistant Director of Government Relations for the Wisconsin Bankers Association (WBA). WBA represents nearly 320 commercial banks, savings banks and savings and loan associations of all sizes throughout the state. I am here today to testify in support of AB 913 on behalf of WBA members and their long commitment to the agriculture industry in the state.

The Wisconsin Bankers Association and its members agree that the increase in the WHEDA guarantee from \$30,000 to a maximum of \$100,000 is much needed and long overdue. In 2002, WBA members were 4 of the top 5 WHEDA CROP Program lenders. The economics of agriculture have significantly changed since this limit was first set. Land rents have doubled from ten years ago and the price of inputs has increased at least three-fold over that same time frame. Increasing this guarantee threshold is both crucial for the agriculture industry, and a key factor in growing Wisconsin's economy.

The chart below provides UW-Extension two-year averages for crop input expense, the likely use of WHEDA CROP proceeds:

Input Expense	2 Year Average Farm Size	
	100 – 200 Cows	200 – 500 Cow Operation
Chemicals	\$6,836	\$13,388
Fertilizer	\$11,756	\$17,040
Seed	\$9,525	\$17,791
Fuel	\$9,391	\$19,706
Rent	\$21,317	\$47,220
Custom Hire	\$13,859	\$42,468
	\$72,684	\$157,613

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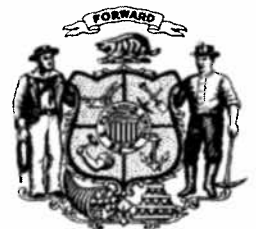
As you can see from these numbers, the current \$30,000 guarantee for the WHEDA CROP Program does not come close to representing the actual cost of inputs in today's environment.

There are three primary benefits to increasing the guarantee threshold. First, producers will directly benefit as they will get the money in hand to buy the inputs. In addition, many WBA members use the CROP Program to help get new producers started and increasing the threshold will only further enhance usage of the program by new producers. Second, the bank has a safer loan because of the guarantee. Banks will not make these kinds of loans, especially to new and marginal borrowers, without the loan guarantee. If the bank does not make the loan, the producer is forced to borrow the money from an input supplier or someone else at a much higher rate of interest than what the bank would charge. Finally, the rural economy benefits as more producers are able to pay input suppliers in full up front and they, in turn, use that money right away, putting it back in the local economy.

Thank you for your consideration of my comments today on behalf of the Wisconsin Bankers Association. WBA seeks your support of AB 913, the long overdue increase of the WHEDA CROP Loan Program to meet the current need for the agricultural industry. At this time I will be happy to address any questions you may have.



WISCONSIN STATE LEGISLATURE



AB 913

Statement by the Wisconsin Department of Agriculture, Trade and Consumer Protection

Before the Assembly Committee on Agriculture

The Wisconsin Department of Agriculture, Trade and Consumer Protection supports AB 913 with these suggested modifications: authorizing a 90 percent guarantee of principal on loans up to \$50,000 and a 80 percent guarantee on loans over \$50,000.

The purpose of AB 913 to authorize WHEDA to increase the maximum loan amount for the agricultural production loan guarantee program is indeed sound. Wisconsin farms' size and scope have changed substantially since this program was created and thus program revisions are needed to reflect those changes.

Between 1993 and 2002:

- Average per farm expenditures has increased from \$ \$64,550 to \$96,106.
- Average operating debt per farm has increased from \$27,848 to \$44,444.
- Percent of farms with sales over \$100,000 was 24% in 2002 vs. 22.7% in 1993 and the percent of farms with sales between \$10,000 and \$99,000 has declined from 40.5 percent to 27 percent.

USDA Farm Service Agency (FSA) loans have increased to reflect some of the changes. Wisconsin FSA's average operating loan guarantee for 2003 was \$166,000. For beginning farmers the average operating loan guarantee was \$99,000 in 2002. These FSA numbers provide you with an idea of the size of lending needs for a typical farm. Besides FSA, WHEDA loan guarantees are about the only alternative gap financing that exists for lenders and borrowers in Wisconsin. An important gap that WHEDA fills that FSA does not is the fact WHEDA can provide guarantees on crop operating loans to non-bank, non- farm credit lenders such as agricultural supply cooperatives.

There is a strong justification for increasing the maximum authority for agricultural production loan guarantees under WHEDA. In 1993 the average loan amount guaranteed averaged roughly \$13,500 and in 2003 the average increased to \$22,200. But loan numbers have fallen from 2022 in 1993 to 489 in 2003. Part of the reason for the decline in loan numbers is that farm borrowing needs have increased beyond the WHEDA authorized guarantee maximum.

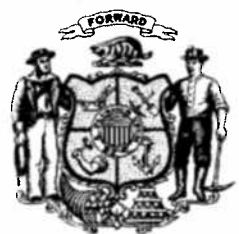
WHEDA's agricultural production loan guarantees have proven benefits for farmers and lenders. Providing WHEDA with the flexibility to increase maximum loan guarantee amounts will increase number of loans and better respond to the changed needs for larger amounts of operating capital on today's farms. This bill will help to better target WHEDA's limited dollars.

Thank you Chairman Ott and members of the Committee for your leadership and efforts in helping to grow agriculture in Wisconsin.

Submitted by Will Hughes, Administrator, Division of Agricultural Development



WISCONSIN STATE LEGISLATURE





Revised Draft

Talking Points for Testimony in front of the Assembly Committee on Agriculture relating to Assembly Bill 913

WISCONSIN
HOUSING AND
ECONOMIC
DEVELOPMENT
AUTHORITY

Committee Members: Chairman Ott, Vice Chair M. Williams, Representatives Ainsworth, Petrowski, Kestell, Suder, Hines, Loeffelholz, Towns, Gronemus, Plouff, Balow, Vruwink, Hebl and Molepske

Jim Doyle
Governor

Perry Armstrong
Chairman

Antonio R. Riley
Executive Director

- Representative Ott has been a leader of Agricultural policy in Wisconsin for a long time and once again we have a chance to thank him for his leadership.
- WHEDA has traditionally been a leader in providing financial tools to farmers and agricultural businesses concerns. Currently, the Authority has three loan guarantee programs serving the agricultural community, programs that in total are the largest users of the Wisconsin Development Reserve Fund or WDRF.
- The CROP program alone has guaranteed over 12,000 loans providing farmers over \$200,000,000 since 1993.
- The CROP program has been and remains very successful, but we share Representative Ott's concern that the State must make

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WHEDA supports equal
housing opportunities
for all persons



WISCONSIN
HOUSING AND
ECONOMIC
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sure that programs like CROP are positioned to be successful well into the 21st Century.

- The \$30,000 limit made sense in 1993, but farms have gotten larger, more complex, and need access to more capital to modernize—helping to assure their profitability in the future.
- We agree by allowing WHEDA the flexibility to increase loan amount guarantee to \$100,000, the CROP program will be better positioned to meet the financing gap that faces Wisconsin farmers.
- We would suggest a slight modification to AB913—accepted by Representative Ott—relating to the percentage of principal guaranteed of loans generated by the CROP program. For loans up to \$50,000 the guarantee will remain at 90%. For loans of \$50,000 or higher, the guarantee will be at 80% of the loan amount. This modification will allow WHEDA to make a greater number of loans and enhance the program's fiscal strength. In addition, it will also increase the use of FSA loans bring more federal dollars into Wisconsin.



WHEDA looks forward to supporting AB913 as amended and its passage.

Thank you.

WISCONSIN
HOUSING AND
ECONOMIC
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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO 2003 ASSEMBLY BILL 913

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 5: after that line insert:

3 "SECTION 1m. 234.90 (4) of the statutes is amended to read:

4 234.90 (4) GUARANTEE. The authority shall guarantee repayment of 90% 90
5 percent of the principal, if less than \$50,000, or 80 percent of the principal, if \$50,000
6 or more. of any agricultural production loan eligible for guarantee under sub. (2)
7 made to a farmer eligible for a guaranteed loan under sub. (3) or (3g).".

8 (END)