

## 2005 DRAFTING REQUEST

### Bill

Received: 03/13/2005

Received By: csundber

Wanted: As time permits

Identical to LRB:

For: Steve Wieckert (608) 266-3070

By/Representing:

This file may be shown to any legislator: NO

Drafter: csundber

May Contact:

Addl. Drafters:

Subject: Econ. Development - housing

Extra Copies:

Submit via email: YES

Requester's email: Rep.Wieckert@legis.state.wi.us

Carbon copy (CC:) to:

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### Pre Topic:

No specific pre topic given

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### Topic:

WHEDA small business program: allow guarantees of refinancing loans if accompanied by business expansion

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### Instructions:

See Attached

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### Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	csundber 05/31/2005	jdye 06/02/2005		_____			Housing
/1			pgreensl 06/02/2005	_____	mbarman 06/02/2005	Inorthro 06/22/2005	

FE Sent For:

<END>

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/?	csundber	1 1/2 jld	g p px	g B B			
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FE Sent For:

<END>



2005

Date (time) needed

6/7/05

LRB - 2426 / ~~1~~ <sup>1</sup> ~~over~~

BILL

OTS : jld :

Use the appropriate components and routines developed for bills.

AN ACT . . . [generate catalog] *to repeal . . . ; to renumber . . . ; to consolidate and renumber . . . ; to renumber and amend . . . ; to consolidate, renumber and amend . . . ; to amend . . . ; to repeal and recreate . . . ; and to create . . .* of the statutes; relating to:

*limitations under the Wisconsin Housing and Economic Development Authority's small business development loan guarantee program.*

[NOTE: See section 4.02 (2) (br), Drafting Manual, for specific order of standard phrases.]

*Analysis by the Legislative Reference Bureau*

- If titles are needed in the analysis, in the component bar:
  - For the main heading, execute: . . . . . create → anal: → title: → head
  - For the subheading, execute: . . . . . create → anal: → title: → sub
  - For the sub-subheading, execute: . . . . . create → anal: → title: → sub-sub
- For the analysis text, in the component bar:
  - For the text paragraph, execute: . . . . . create → anal: → text

→ Ins A ✓  
→ HOUSING ✓

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

SECTION #.

→ INS 1 ✓

→ INS 2

→ (END)

Authority

**BILL**

*The Wisconsin Housing and Economic Development (WHEDA) administers a number of housing and economic development programs. No*

INS  
A

Under the Farm Assets Reinvestment Management Loan Guarantee Program, WHEDA guarantees loans to eligible farmers to finance the acquisition of agricultural equipment, facilities, land, or livestock, or improvements to facilities or land. Currently, the maximum term of a guarantee for a loan acquiring equipment or livestock or for improvements to facilities or land is five years. This bill extends that maximum term to ten years.

Under the Small Business Development Loan Guarantee Program (~~small business program~~), WHEDA guarantees loans to eligible businesses and tribal governing bodies for business expansions and start-ups. Currently, ~~under the small business program~~ WHEDA may not guarantee a loan for refinancing an existing debt. Current law limits loan guarantees under the small business program to the lesser of 80 percent of the principal of the loan or \$200,000, and caps the total principal amount of a business's WHEDA-guaranteed loans at \$750,000. This bill permits WHEDA to guarantee a refinancing loan if the borrower also expands an existing business. The bill also eliminates the \$750,000 limit on the total principal amount of a business's WHEDA-guaranteed loans. As a result, a business is eligible for a small business program loan guarantee up to the lesser of 80 percent of the principal or \$200,000 per loan, but there is no limit to the total principal amount of a business's loans that WHEDA may guarantee. *end ins A*

The Wisconsin development reserve fund (reserve fund) consists of moneys appropriated to WHEDA, certain WHEDA investment income, and certain fees collected by WHEDA. Current law allows WHEDA to enter into agreements with certain types of financial institutions to guarantee loans using the reserve fund. Under current law, the total outstanding principal amount of loans guaranteed by the reserve fund may not exceed \$49,500,000. Currently, WHEDA must annually transfer to the general fund any balance remaining in the reserve fund after deducting an amount sufficient to pay all outstanding claims and sufficient to fund guarantees at specified ratios of reserve funding to guaranteed principal (balance transfer). WHEDA also must annually report to the secretary of administration and the Joint Committee on Finance the amount of the balance transfer in the current year and the projected amount for the next two years. This bill eliminates the \$49,500,000 cap on WHEDA guarantees from the reserve fund. Under the bill, WHEDA guarantees from the reserve fund generally may not exceed a ratio of \$1 of reserve funding to \$4.50 of outstanding principal and outstanding guaranteed principal under all of the programs that WHEDA guarantees from the reserve fund. The bill also eliminates the requirement that WHEDA make a balance transfer.

Under current law, WHEDA may issue notes and bonds to finance loans to eligible sponsors of housing projects that benefit persons and families of low and moderate income. Currently, the total outstanding principal on these notes and bonds may not exceed \$325,000,000. This bill increases the \$325,000,000 limit to \$600,000,000.

Currently, WHEDA may acquire real or personal property only if WHEDA finds that low-income or moderate-income housing cannot be developed privately without an acquisition by the authority, or if the authority acquires property by

**BILL**

1           234.61 (1) Upon the authorization of the department of health and family  
 2 services, the authority may issue bonds or notes and make loans for the financing of  
 3 housing projects which are residential facilities as defined in s. 46.28 (1) (d) and the  
 4 development costs of those housing projects, if the department of health and family  
 5 services has approved the residential facilities for financing under s. 46.28 (2). The  
 6 limitations in ss. 234.18 (1), 234.40, 234.50, 234.60, 234.65, and 234.66 do not apply  
 7 to bonds or notes issued under this section. The definition of "nonprofit corporation"  
 8 in s. 234.01 (9) does not apply to this section.

9           **SECTION 27.** 234.65 (1) (b) of the statutes is amended to read:

10           234.65 (1) (b) The limits in ss. 234.18 (1), 234.40, 234.50, 234.60, 234.61, and  
 11 234.66 do not apply to bonds or notes issued under this section.

12           **SECTION 28.** 234.66 (3) (b) of the statutes is amended to read:

13           234.66 (3) (b) The limits in ss. 234.18 (1), 234.40, 234.50, 234.60, 234.61, and  
 14 234.65 do not apply to bonds or notes issued under this section.

15           ~~**SECTION 29.**~~ 234.83 (3) (b) of the statutes is amended to read:

16           234.83 (3) (b) Loan proceeds are not used to refinance existing debt or for  
 17 entertainment expenses, expenses related to the production of an agricultural  
 18 commodity, as defined in s. 94.67 (2), or expenses related to a community-based  
 19 residential facility, except that loan proceeds may be used to refinance existing debt  
 20 if the borrower also expands an existing business. ✓ (end ins 1)

21           ~~**SECTION 30.**~~ 234.83 (3) (e) of the statutes is repealed.

22           **SECTION 31.** 234.905 (4) (b) of the statutes is amended to read:

23           234.905 (4) (b) ~~Except as provided in s. 234.93 (3), the~~ The total principal  
 24 amounts of all agricultural production drought assistance loans which the authority  
 25 may guarantee under par. (a) may not exceed \$30,000,000.

INS  
1

**BILL**

**SECTION 40**

INS 2

1        ~~234.93 (4m) LIMITATION ON LOAN GUARANTEES. (intro.) The authority shall~~  
 2        ~~regularly monitor the cash balance in the Wisconsin development reserve fund. The~~  
 3        ~~authority shall ensure that the cash balance in the fund is sufficient for the following~~  
 4        ~~purposes specified in sub. (4) (a) 1., 2., and 3.~~

**SECTION 40. Initial applicability.**

6        (1) HOUSING REHABILITATION LOANS. The treatment of sections 234.01 (7m) and  
 7        234.49 (1) (c) 2., (d) (intro.), 2., 4., and 6., (e) (intro.), 1., and 2., (f) (intro.) and 2., and  
 8        (g) of the statutes first applies to housing rehabilitation loans for which application  
 9        is made on the effective date of this subsection.

10        (2) BONDING LIMIT. The repeal of section 234.18 (3) of the statutes and the  
 11        renumbering and amendment of section 234.18 (1) of the statutes first apply to notes  
 12        and bonds issued on the effective date of this subsection.

13        (3) HOMEOWNERSHIP MORTGAGE LOANS. The treatment of section 234.59 (1) (d)  
 14        4. and (3) (a) and (b) 1. and 2. of the statutes first applies to homeownership mortgage  
 15        loans for which application is made on the effective date of this subsection.

16        ~~(4) SMALL BUSINESS DEVELOPMENT LOAN GUARANTEE PROGRAM. The treatment of~~  
 17        ~~section 234.83 (3) (b) and (e) of the statutes first applies to loan guarantees for which~~  
 18        ~~application is made on the effective date of this subsection.~~ *↑ This act (end ins 2)*

19        (5) FARM ASSETS REINVESTMENT MANAGEMENT LOAN GUARANTEE PROGRAM. The  
 20        treatment of section 234.91 (5) (b) of the statutes first applies to loan guarantees for  
 21        which application is made on the effective date of this act.

(END)

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**Barman, Mike**

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**From:** Krieser, Steve  
**Sent:** Tuesday, June 21, 2005 11:15 PM  
**To:** LRB.Legal  
**Subject:** Draft review: LRB 05-2426/1 Topic: WHEDA small business program: allow guarantees of refinancing loans if accompanied by business expansion

It has been requested by <Krieser, Steve> that the following draft be jacketed for the ASSEMBLY:

Draft review: LRB 05-2426/1 Topic: WHEDA small business program: allow guarantees of refinancing loans if accompanied by business expansion