



## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

<b>September 2011 Special Session Senate Bill 2</b>	<b>Senate Amendment 1</b>
<i>Memo published: October 20, 2011</i>	<i>Contact: Pam Shannon, Senior Staff Attorney (266-2680)</i>

### **CURRENT LAW**

The small business development loan guarantee program is administered by the Wisconsin Housing and Economic Development Authority (WHEDA). Under current law, WHEDA may use funds from the Wisconsin Development Reserve Fund to guarantee a loan made to an eligible borrower if the loan satisfies various criteria. For example, WHEDA must approve the interest rate for the loan; the lender must obtain a security interest in the borrower's assets; and the lender must believe that it is reasonably likely that the borrower will be able to repay the loan in full with interest. In addition, the loan proceeds must be used for the purchase or improvement of land, buildings, machinery, equipment, or inventory relating to one of the following three types of activities:

- The expansion or acquisition of a business.
- The start-up of a child care business.
- The start-up of a small business in a vacant storefront in the downtown area of a "rural community," defined to mean a city, town, or village that either: (1) is located in a county with a population density of less than 150 persons per square mile; or (2) has a population of 12,000 or less.

To be eligible to receive a loan guarantee under the program, a borrower must satisfy all of the following criteria:

- Be a small business that employs 50 or fewer full-time employees.
- Have an owner who is actively engaged in the business.

- Have an owner whose name does not appear on the statewide support lien docket or who has a valid child support payment agreement.

WHEDA is authorized to determine the portion of the principal of an eligible loan to be guaranteed under the program. However, the guaranteed portion may not exceed 80% of the principal of the loan or \$200,000, whichever is less.

WHEDA may establish a single portion to be guaranteed for all loans that do not exceed \$250,000 and a single portion for all guaranteed loans that exceed \$250,000. Alternatively, it may establish on an individual basis different portions for eligible loans that exceed or do not exceed \$250,000.

### **SEPTEMBER 2011 SPECIAL SESSION SENATE BILL 2**

September 2011 Special Session Senate Bill 2 makes several changes that expand eligibility for the small business development loan guarantee program. Specifically, the bill:

- Modifies the definition of “small business” to include businesses with 250 or fewer full-time employees, rather than the 50 or fewer full-time employee limit under current law.
- Removes the requirement that a small business owner be actively engaged in a business that receives a loan guaranteed under the program.
- Increases the maximum portion of the principal of a small business development loan that may be guaranteed to the lesser of \$500,000 or 80% of the loan (compared with \$200,000 or 80% of the loan under current law).
- Removes a requirement that loans used to start a small business in a downtown vacant storefront must be used in a rural community.
- Increases the dollar amount that serves as a dividing line for WHEDA’s establishment of either set or varying portions of the loans to be guaranteed, to \$625,000, rather than \$250,000 under current law.

### **SENATE AMENDMENT 1**

Senate Amendment 1 to September 2011 Special Session Senate Bill 2 further increases the maximum portion of the principal of a loan that WHEDA may guarantee under the small business development loan guarantee program, to the lesser of \$750,000 or 80% of a loan, rather than the lesser of \$500,000 or 80% of the loan under the bill.

In addition, the amendment increases the dollar amount that serves as a dividing line for WHEDA’s establishment of either set or varying portions of loans to be guaranteed to \$937,500, from \$625,000 under the bill.

**LEGISLATIVE HISTORY**

Senator Leibham introduced Senate Amendment 1 on October 13, 2011. On October 20, 2011, the Senate Committee on Economic Development, Veterans and Military Affairs recommended adoption of Senate Amendment 1 on a vote of Ayes, 7; Noes, 0. The committee then recommended passage of the bill, as amended, also on a vote of Ayes, 7; Noes, 0.

PS:jal