



1995 ASSEMBLY BILL 1045

March 18, 1996 - Introduced by Representatives WARD, MORRIS-TATUM, SERATTI, RILEY, KUNICKI, GREEN, KLUSMAN and JENSEN, cosponsored by Senator PETAK. Referred to Committee on Small Business and Economic Development.

1 **AN ACT to repeal** 234.67, 234.68, 234.69, 234.75, 234.76, 234.765, 234.80, 234.82,
2 234.83 (3) (b), 234.87 (1) (b), 234.87 (1) (c), 234.87 (3) (b), 234.87 (4) (a), 234.87
3 (5) (b), 234.905, 234.907 and 234.935; **to renumber** 234.70, 234.802, 234.85 and
4 234.87 (4) (b); **to renumber and amend** 144.422 (1), 234.83 (2) (a) and 234.83
5 (3) (a); **to amend** 46.255 (7), 46.28 (3), 46.28 (4), 71.05 (1) (c) 2., 100.45 (4)
6 (intro.), 101.177 (2) (intro.), 101.177 (3) (a) (intro.), 144.422 (2) (intro.), 234.03
7 (2m), 234.265 (2), 234.40 (4), 234.50 (4), 234.60 (2), 234.622 (intro.), 234.65 (1)
8 (b), 234.65 (1) (c), 234.66 (3) (b), 234.83 (title), 234.83 (1) (c), 234.83 (4) (title) and
9 (a), 234.83 (4) (b), 234.87 (title), 234.87 (5) (a), 234.93 (2) (a) (intro.), 234.93 (4)
10 (a) 2., 234.94 (intro.), 560.036 (2) (a), 560.835 (1) (d) and 600.01 (1) (b) 8.; **to**
11 **repeal and recreate** 70.11 (35); and **to create** 100.45 (1) (dm), 101.177 (1) (d),
12 144.422 (1) (b), subchapter I (title) of chapter 234 [precedes 234.01], 234.01 (4n)
13 (a) 3m. e., subchapter II (title) of chapter 234 [precedes 234.83], 234.83 (2) (a)
14 1. to 4., 234.93 (2) (bm), 234.93 (4) (a) 3. and subchapter III (title) of chapter 234
15 [precedes 234.94] of the statutes; **relating to:** the bonding authority of the
16 Wisconsin Housing and Economic Development Authority for economic
17 development activities; loan guarantee programs funded by the Wisconsin

1 development reserve fund; and the ratio of reserve funding to guaranteed
2 outstanding principal for the Wisconsin development reserve fund.

Analysis by the Legislative Reference Bureau

Under current law, the Wisconsin Housing and Economic Development Authority (WHEDA) guarantees collection of loans from the Wisconsin development reserve fund (fund) for the recycling, stratospheric ozone protection, clean air, small business, business improvement, targeted development, nonpoint source pollution abatement and agricultural chemical cleanup, agricultural production, farm assets reinvestment management, agricultural development and cultural and architectural landmark loan guarantee programs. The total outstanding principal amount of loans that WHEDA may guarantee under any of these loan guarantee programs is limited to a specified amount under each program. For example, WHEDA may guarantee no more than \$1,000,000 in outstanding principal under the clean air loan guarantee program, no more than \$10,000,000 in outstanding principal under the recycling loan guarantee program and no more than \$30,000,000 in outstanding principal under the agricultural production loan guarantee program. Popularity and use vary widely among the programs and, although WHEDA actually guarantees no loans under some of the programs, WHEDA is required to ensure that the cash balance in the fund is maintained at a ratio of \$1 of reserve funding to \$4 of outstanding principal that WHEDA may guarantee under all of the programs.

This bill eliminates all of the loan guarantee programs for which collection is guaranteed from the fund, except for the agricultural chemical cleanup portion of the nonpoint source pollution abatement and agricultural chemical cleanup loan guarantee program, the agricultural production loan guarantee program and the farm assets reinvestment management loan guarantee program, and in replacement creates a new, more broadly based loan guarantee program, called the small business development loan guarantee program, for which collection is guaranteed from the fund. Under the program, WHEDA may guarantee up to 80% of the principal of a loan to the elected governing body of an American Indian tribe or band or to a business if the business owner is actively engaged in the business, the annual gross revenue of the business does not exceed \$10,000,000, the business does not employ more than 150 employees on a full-time basis and the business owner is not delinquent in the payment of child support. The loan proceeds may be used for expenses related to the start-up, expansion or acquisition of a business, including working capital, and must be likely to have a positive economic impact in terms of job retention and creation. Loan proceeds may not be used for real estate investment, entertainment expenses or expenses related to a community-based residential facility, the production of an agricultural commodity or a septic system, well or sewer unless the expenses for the septic system, well or sewer are related to the business start-up, expansion or acquisition. Loans to a single borrower that are guaranteed under the program may not exceed \$250,000. The total outstanding guaranteed principal amount of all loans that WHEDA may guarantee under the program may

not exceed \$30,000,000. This amount compares with a total of \$28,000,000 in total outstanding guaranteed principal that WHEDA could guarantee under all of the programs that the bill eliminates. In addition, the bill changes the ratio at which WHEDA must maintain the fund to \$1 of reserve funding to \$5 of outstanding principal that WHEDA may guarantee under all of the programs guaranteed from the fund, including outstanding guarantees under the eliminated programs, except for the cultural and architectural landmark loan guarantee program, which remains at \$1 of reserve funding to \$4 of outstanding guaranteed principal.

Also under current law, WHEDA may issue up to \$200,000,000 in aggregate principal amount of bonds and notes to finance its economic development activities, including economic development loans. The bill raises that limit to \$300,000,000.

WHEDA may finance economic development projects, which are defined in the statutes. One type of economic development project that WHEDA may finance is land, plant or equipment for certain facilities for the sale of goods or services to consumers. The bill provides that another type of facility for the sale of goods or services for which WHEDA may finance an economic development project is one that is located in a targeted area, as determined by WHEDA after considering the same factors that the development finance board considers when determining whether a project is located in a targeted area for the purpose of awarding a grant or loan from the Wisconsin development fund.

In addition, the bill divides the chapter of the statutes that contains the provisions related to WHEDA into subchapters for better organization. The bill repeals the agricultural production drought assistance loan guarantee program because WHEDA is no longer authorized to guarantee loans under the program and no outstanding loans remain.

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

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

1 **SECTION 1.** 46.255 (7) of the statutes is amended to read:
2 46.255 (7) The department may provide a certification under sub. (1) to a state
3 agency or authority under s. 21.49 (2) (e), 36.11 (6) (b), 36.25 (14), 36.34 (1), 39.30 (2)
4 (e), 39.38 (2), 39.435 (6), 39.44 (4), 39.47 (2m), 45.351 (2) (c), 45.356 (6), 45.396 (6),
5 45.74 (6), 144.25 (8) (L), 145.245 (5m) (b), 234.04 (2), 234.49 (1) (c), 234.59 (3) (c),
6 234.65 (3) (f), 234.83 (2) (a) 4., 234.90 (3) (d) or (3g) (c), ~~234.905 (3) (d)~~ or 949.08 (2)
7 (g).

1 **SECTION 2.** 46.28 (3) of the statutes is amended to read:

2 46.28 **(3)** The department may authorize the authority to issue revenue bonds
3 under s. ~~234.70~~ 234.61 to finance any residential facility it approves under sub. (2).

4 **SECTION 3.** 46.28 (4) of the statutes is amended to read:

5 46.28 **(4)** The department may charge sponsors for administrative costs and
6 expenses it incurs in exercising its powers and duties under this section and under
7 s. ~~234.70~~ 234.61.

8 **SECTION 4.** 70.11 (35) of the statutes is repealed and recreated to read:

9 70.11 **(35)** CULTURAL AND ARCHITECTURAL LANDMARKS. Real property and
10 improvements designated in an executive order as a valued historical landmark and
11 an architectural masterpiece, or an educational tourist center located adjacent to the
12 real property and improvements designated in an executive order as a valued
13 historical landmark and an architectural masterpiece.

14 **SECTION 5.** 71.05 (1) (c) 2. of the statutes, as affected by 1995 Wisconsin Act 56,
15 is amended to read:

16 71.05 **(1)** (c) 2. The Wisconsin housing and economic development authority, if
17 the bonds are to fund a loan under s. ~~234.935~~, 1993 stats.

18 **SECTION 6.** 100.45 (1) (dm) of the statutes is created to read:

19 100.45 **(1)** (dm) "State agency" means any office, department, agency,
20 institution of higher education, association, society or other body in state
21 government created or authorized to be created by the constitution or any law which
22 is entitled to expend moneys appropriated by law, including the legislature and the
23 courts, the Wisconsin Housing and Economic Development Authority, the Bradley
24 Center Sports and Entertainment Corporation, the University of Wisconsin

1 Hospitals and Clinics Authority and the Wisconsin Health and Educational
2 Facilities Authority.

3 **SECTION 7.** 100.45 (4) (intro.) of the statutes is amended to read:

4 100.45 (4) SERVICING. (intro.) No person, including a state agency, as defined
5 ~~in s. 234.75 (10)~~, may perform motor vehicle repair that releases or may release
6 ozone-depleting refrigerant from a mobile air conditioner or trailer refrigeration
7 equipment or may install or service a mobile air conditioner or trailer refrigeration
8 equipment that contains ozone-depleting refrigerant unless all of the following
9 apply:

10 **SECTION 8.** 101.177 (1) (d) of the statutes is created to read:

11 101.177 (1) (d) "State agency" means any office, department, agency,
12 institution of higher education, association, society or other body in state
13 government created or authorized to be created by the constitution or any law which
14 is entitled to expend moneys appropriated by law, including the legislature and the
15 courts, the Wisconsin Housing and Economic Development Authority, the Bradley
16 Center Sports and Entertainment Corporation, the University of Wisconsin
17 Hospitals and Clinics Authority and the Wisconsin Health and Educational
18 Facilities Authority.

19 **SECTION 9.** 101.177 (2) (intro.) of the statutes is amended to read:

20 101.177 (2) SERVICING. (intro.) No person, including a state agency, as defined
21 ~~in s. 234.75 (10)~~, may install or service a piece of refrigeration equipment that
22 contains ozone-depleting refrigerant unless the person certifies all of the following
23 to the department:

24 **SECTION 10.** 101.177 (3) (a) (intro.) of the statutes is amended to read:

1 101.177 (3) (a) (intro.) After December 31, 1991, no person, including a state
2 agency ~~as defined in s. 234.75 (10)~~, may sell used ozone-depleting refrigerant
3 removed from refrigeration equipment for reuse unless the person certifies all of the
4 following to the department:

5 **SECTION 11.** 144.422 (1) of the statutes is renumbered 144.422 (1) (intro.) and
6 amended to read:

7 144.422 (1) (title) ~~DEFINITION~~ DEFINITIONS. (intro.) In this section,
8 “~~ozone-depleting~~”:

9 (a) “Ozone-depleting refrigerant” has the meaning given in s. 100.45 (1) (d).

10 **SECTION 12.** 144.422 (1) (b) of the statutes is created to read:

11 144.422 (1) (b) “State agency” means any office, department, agency,
12 institution of higher education, association, society or other body in state
13 government created or authorized to be created by the constitution or any law which
14 is entitled to expend moneys appropriated by law, including the legislature and the
15 courts, the Wisconsin Housing and Economic Development Authority, the Bradley
16 Center Sports and Entertainment Corporation, the University of Wisconsin
17 Hospitals and Clinics Authority and the Wisconsin Health and Educational
18 Facilities Authority.

19 **SECTION 13.** 144.422 (2) (intro.) of the statutes is amended to read:

20 144.422 (2) SALVAGING REFRIGERATION EQUIPMENT. (intro.) After June 30, 1992,
21 except as provided in sub. (2m), no person, including a state agency, ~~as defined in s.~~
22 ~~234.75 (10)~~, may perform salvaging or dismantling of mechanical vapor compression
23 refrigeration equipment in the course of which ozone-depleting refrigerant is or may
24 be released or removed unless the person certifies all of the following to the
25 department:

1 234.40 (4) The limitations established in ~~s. ss.~~ ss. 234.18 (1) and (2), 234.50,
2 234.60, 234.61, 234.65, and 234.66 ~~or 234.70~~ are not applicable to bonds issued under
3 the authority of this section. The authority may not have outstanding at any one
4 time bonds for veterans housing loans in an aggregate principal amount exceeding
5 \$61,945,000, excluding bonds being issued to refund outstanding bonds.

6 **SECTION 19.** 234.50 (4) of the statutes is amended to read:

7 234.50 (4) The limitations established in ~~s. ss.~~ ss. 234.18 (1) and (2), 234.40,
8 234.60, 234.61, 234.65, and 234.66 ~~or 234.70~~ are not applicable to bonds issued under
9 the authority of this section. The authority may not have outstanding at any one
10 time bonds for housing rehabilitation loans in an aggregate principal amount
11 exceeding \$100,000,000, excluding bonds being issued to refund outstanding bonds.
12 The authority shall consult with and coordinate the issuance of bonds with the
13 building commission prior to the issuance of bonds.

14 **SECTION 20.** 234.60 (2) of the statutes is amended to read:

15 234.60 (2) The limitations in ss. 234.18 (1) and (2), 234.40, 234.50, 234.61,
16 234.65, and 234.66 ~~and 234.70~~ do not apply to bonds or notes issued under this
17 section.

18 **SECTION 21.** 234.622 (intro.) of the statutes is amended to read:

19 **234.622 Definitions.** (intro.) In ~~this subchapter~~ ss. 234.621 to 234.626:

20 **SECTION 22.** 234.65 (1) (b) of the statutes is amended to read:

21 234.65 (1) (b) The limits in ss. 234.18 (1) and (2), 234.40, 234.50, 234.60, 234.61
22 and 234.66 ~~and 234.70~~ do not apply to bonds or notes issued under this section.

23 **SECTION 23.** 234.65 (1) (c) of the statutes, as affected by 1995 Wisconsin Act 56,
24 is amended to read:

1 234.65 (1) (c) The authority may not issue more than \$200,000,000
2 \$300,000,000 in aggregate principal amount of bonds and notes under this section,
3 excluding bonds or notes secured by a capital reserve fund pursuant to sub. (6) (am)
4 and excluding bonds and notes issued to refund outstanding bonds or notes issued
5 under this section.

6 **SECTION 24.** 234.66 (3) (b) of the statutes is amended to read:

7 234.66 (3) (b) The limits in ss. 234.18 (1) and (2), 234.40, 234.50, 234.60, 234.61
8 and 234.65 and 234.70 do not apply to bonds or notes issued under this section.

9 **SECTION 25.** 234.67 of the statutes is repealed.

10 **SECTION 26.** 234.68 of the statutes is repealed.

11 **SECTION 27.** 234.69 of the statutes is repealed.

12 **SECTION 28.** 234.70 of the statutes is renumbered 234.61.

13 **SECTION 29.** 234.75 of the statutes, as affected by 1995 Wisconsin Act 27, is
14 repealed.

15 **SECTION 30.** 234.76 of the statutes is repealed.

16 **SECTION 31.** 234.765 of the statutes is repealed.

17 **SECTION 32.** 234.80 of the statutes is repealed.

18 **SECTION 33.** 234.802 of the statutes is renumbered 234.92.

19 **SECTION 34.** 234.82 of the statutes, as affected by 1995 Wisconsin Act 27, is
20 repealed.

21 **SECTION 35.** 234.83 (title) of the statutes is amended to read:

22 **234.83** (title) **Targeted Small business development loan guarantee**
23 **program.**

24 **SECTION 36.** Subchapter II (title) of chapter 234 [precedes 234.83] of the
25 statutes is created to read:

CHAPTER 234**SUBCHAPTER II****LOAN GUARANTEE PROGRAMS**

SECTION 37. 234.83 (1) (c) of the statutes is amended to read:

234.83 (1) (c) The lender ~~is a financial institution that~~ enters into an agreement under s. 234.93 (2) (a).

SECTION 38. 234.83 (2) (a) of the statutes is renumbered 234.83 (2) (a) (intro.) and amended to read:

234.83 (2) (a) (intro.) A business, as defined in s. 560.60 (2), to which all of the following apply:

SECTION 39. 234.83 (2) (a) 1. to 4. of the statutes are created to read:

234.83 (2) (a) 1. The owner of the business is actively engaged in the business.

2. The annual gross revenue of the business does not exceed \$10,000,000.

3. The business employs 150 or fewer employees on a full-time basis.

4. The authority has not received a certification under s. 46.255 (7) that the owner of the business is delinquent in making child support or maintenance payments.

SECTION 40. 234.83 (3) (a) of the statutes is renumbered 234.83 (3), and 234.83 (3) (a), (b), (d) and (i), as renumbered, is amended to read:

234.83 (3) (a) The borrower uses the loan proceeds for a business development project ~~in a targeted area~~. Loan proceeds may be used for direct or related expenses associated with the start-up, expansion or acquisition of a business, including working capital or the purchase or improvement of land, buildings, machinery, equipment or inventory.

1 (b) Loan proceeds are not used to refinance existing debt or for ~~operating or~~
2 ~~entertainment expenses, real estate investment, expenses related to a septic system,~~
3 ~~well or sewer unless associated with a business start-up, expansion or acquisition,~~
4 ~~expenses related to the production of an agricultural commodity, as defined in s.~~
5 ~~94.67 (2), or expenses related to a community-based residential facility.~~

6 (d) The loan term does not extend beyond 15 years after the date on which the
7 financial institution disburses the loan unless ~~the loan is extended by the authority~~
8 ~~agrees to an extension of the loan term.~~

9 (i) The authority believes that the loan will have a positive economic impact on
10 ~~the targeted area~~ in terms of job creation and retention.

11 **SECTION 41.** 234.83 (3) (b) of the statutes is repealed.

12 **SECTION 42.** 234.83 (4) (title) and (a) of the statutes are amended to read:

13 234.83 (4) (title) ~~GUARANTEE OF COLLECTION~~ REPAYMENT. (a) Subject to par. (b),
14 the authority shall ~~may~~ guarantee collection repayment of a percentage, not
15 exceeding ~~90%~~ 80%, of the principal of any loan eligible for a guarantee under sub.
16 (1). The authority shall establish the percentage of the principal of an eligible loan
17 that will be guaranteed, using the procedures described in the agreement under s.
18 234.93 (2) (a). The authority may establish a single percentage for all guaranteed
19 loans or establish different percentages for eligible loans on an individual basis.

20 **SECTION 43.** 234.83 (4) (b) of the statutes is amended to read:

21 234.83 (4) (b) Except as provided in s. 234.93 (3), the total outstanding
22 guaranteed principal amount of all loans that the authority may guarantee under
23 par. (a) may not exceed ~~\$10,000,000~~ \$30,000,000.

24 **SECTION 44.** 234.85 of the statutes is renumbered 234.35.

25 **SECTION 45.** 234.87 (title) of the statutes is amended to read:

1 **234.87** (title) ~~Nonpoint source pollution abatement and agricultural~~
2 ~~Agricultural chemical cleanup loan guarantee program.~~

3 **SECTION 46.** 234.87 (1) (b) of the statutes is repealed.

4 **SECTION 47.** 234.87 (1) (c) of the statutes is repealed.

5 **SECTION 48.** 234.87 (3) (b) of the statutes is repealed.

6 **SECTION 49.** 234.87 (4) (a) of the statutes is repealed.

7 **SECTION 50.** 234.87 (4) (b) of the statutes is renumbered 234.87 (4).

8 **SECTION 51.** 234.87 (5) (a) of the statutes is amended to read:

9 234.87 **(5)** (a) Subject to ~~pars. (b) and par. (c) and sub. (4) (a)~~, the authority shall
10 guarantee collection of a percentage, not exceeding 90%, of the principal of a loan
11 eligible for a guarantee under sub. (2). The authority shall establish the percentage
12 of the principal of an eligible loan that it will guarantee. The authority may establish
13 a single percentage for all guaranteed loans or establish different percentages for
14 eligible loans on an individual basis.

15 **SECTION 52.** 234.87 (5) (b) of the statutes is repealed.

16 **SECTION 53.** 234.905 of the statutes is repealed.

17 **SECTION 54.** 234.907 of the statutes is repealed.

18 **SECTION 55.** 234.93 (2) (a) (intro.) of the statutes is amended to read:

19 234.93 **(2)** (a) (intro.) The authority ~~shall~~ may enter into a guarantee
20 agreement with any bank, production credit association, credit union, savings bank,
21 savings and loan association or other person who wishes to participate in a loan
22 program guaranteed by the Wisconsin development reserve fund. The authority may
23 determine all of the following, consistent with the terms of the specific loan
24 guarantee program:

25 **SECTION 56.** 234.93 (2) (bm) of the statutes is created to read:

1 234.93 (2) (bm) A guarantee agreement between the authority and a bank,
2 production credit association, credit union, savings and loan association or other
3 person under par. (a) with respect to a loan guaranteed under s. 234.67, 1993 stats.,
4 s. 234.68, 1993 stats., s. 234.69, 1993 stats., s. 234.765, 1993 stats., s. 234.82, 1993
5 stats., s. 234.83, 1993 stats., s. 234.87 (5) (b), 1993 stats., s. 234.907, 1993 stats., or
6 s. 234.935, 1993 stats., that is in effect immediately before the effective date of this
7 paragraph [revisor inserts date], shall continue in full force and effect until the
8 termination or expiration of the agreement according to its terms.

9 **SECTION 57.** 234.93 (4) (a) 2. of the statutes, as affected by 1995 Wisconsin Act
10 5, is amended to read:

11 234.93 (4) (a) 2. To fund guarantees under all of the programs guaranteed by
12 funds from the Wisconsin development reserve fund, except for the program under
13 s. 234.935, 1993 stats., at a ratio of \$1 of reserve funding to \$4 ~~\$5~~ of total principal
14 and outstanding guaranteed principal that the authority may guarantee under all
15 of those programs.

16 **SECTION 58.** 234.93 (4) (a) 3. of the statutes is created to read:

17 234.93 (4) (a) 3. To fund guarantees under the program under s. 234.935, 1993
18 stats., at a ratio of \$1 of reserve funding to \$4 of total principal and outstanding
19 guaranteed principal that the authority may guarantee under that program.

20 **SECTION 59.** 234.935 of the statutes is repealed.

21 **SECTION 60.** 234.94 (intro.) of the statutes is amended to read:

22 **234.94 (title) ~~Community development finance company~~ Definitions.**
23 (intro.) In ss. ~~234.94 to 234.98~~ this subchapter:

24 **SECTION 61.** Subchapter III (title) of chapter 234 [precedes 234.94] of the
25 statutes is created to read:

CHAPTER 234**SUBCHAPTER III****COMMUNITY DEVELOPMENT****FINANCE COMPANY**

SECTION 62. 560.036 (2) (a) of the statutes is amended to read:

560.036 (2) (a) For the purposes of ss. 16.75 (3m), 16.855 (10m), 16.87 (2), 18.16, 18.64, 18.77, 25.185, 66.911, 119.495 (2), 231.27, 234.35 and 234.65 (6) and 234.85, the department shall establish and periodically update a list of certified minority businesses, minority financial advisers and minority investment firms. Any business, financial adviser or investment firm may apply to the department for certification. For purposes of this paragraph, unless the context otherwise requires, a "business" includes a financial adviser or investment firm.

SECTION 63. 560.835 (1) (d) of the statutes is amended to read:

560.835 (1) (d) The expansion, improvement or development of a ~~diaper service~~, as defined in s. ~~234.67 (1) (am)~~ business that supplies and launders cloth diapers.

SECTION 64. 600.01 (1) (b) 8. of the statutes, as affected by 1995 Wisconsin Acts 116 and 150, is amended to read:

600.01 (1) (b) 8. Guarantees of the Wisconsin housing and economic development authority under ss. s. 234.67, 1993 stats., s. 234.68, 1993 stats., s. 234.69, 1993 stats., s. 234.765, 1993 stats., s. 234.82, 1993 stats., s. 234.83, s. 234.84, s. 234.87, s. 234.90, 234.905, s. 234.907, 1993 stats., and s. 234.91.

(END)