



WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Richard J. Longabaugh
Executive Director

Tommy G. Thompson
Governor

Edwin J. Zagzebski
Chairman

June 30, 1995

Secretary James R. Klauser and
Members of Joint Committee on Finance

Dear Secretary Klauser and Committee Members:

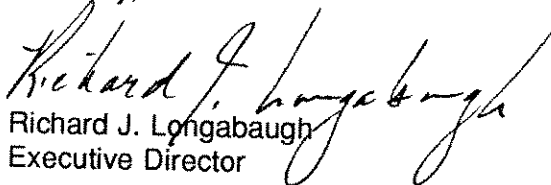
Pursuant to Section 234.93(4)(b), I am providing a statement of the amounts deducted to pay outstanding claims and to fund guarantees under each of the programs guaranteed by funds from the Wisconsin Development Reserve Fund (the "Fund") along with an explanation as to how each amount was determined.

The Wisconsin Housing and Economic Development Authority (the "Authority") administers the Fund in accordance with *Wisconsin Statute* s. 234.93. Staff has performed the calculation for the balance transfer according to s. 234.93(4)(a) which requires the Authority to deduct from the Fund an amount sufficient to pay all outstanding claims and to fund guarantees under all of the programs authorized under the Fund.

It is estimated that on June 30, 1995 all outstanding claims will have been paid. The Authority is currently authorized to issue guarantees not to exceed \$62,942,407 for ten initiatives. In addition, the Authority continues to be responsible for \$1,892,407 in guarantees issued through the Recycling Fund which was subsequently terminated in December, 1993. The Fund balance will total approximately \$14,798,520. As a result of the calculation, there will be no transfer of funds on June 30, 1995 to the general fund.

Attached is a fifteen year projection of the activity of the state programs within the Fund along with the assumptions used to prepare the projections. Continued low interest rates remain a challenge in generating earnings for the Fund. Staff continues to work to improve the longevity of the Fund by investing in higher yielding investments, charging fees, streamlining processes to improve efficiencies, and implementing mechanisms to minimize the amount of interest subsidies and guarantees being paid from the Fund.

Sincerely,


Richard J. Longabaugh
Executive Director

Attachments

RJL:JMF:jmf

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WISCONSIN DEVELOPMENT RESERVE FUND

Assumptions

As of June 30, 1995

1. **Interest rate subsidies:** Interest rate subsidies are paid from the Wisconsin Development Reserve Fund ("the Fund") for two programs, CROP and the Tourism Fund. The subsidy is 2% of the outstanding principal balance for CROP and up to 3.5% for Tourism.

In fiscal year 1996, CROP subsidies reflect the fact that subsidies are only paid through December 31, 1995. The projections further assume that the mechanism for paying CROP subsidies is not triggered on a proforma basis. The tourism subsidy is an average of approved subsidies to date.

2. **Default rates:** Default rates for each of the funds were established based on staff expectations and the inherent riskiness of the underlying loans in the various funds.
3. **Portfolio size:** The dollar amount of guarantees outstanding at June 30, 1995 is an estimate. Guarantees are amortized on a straight line basis over the maximum term for each program. Guarantee authority is revolving.

CROP: Assumes \$27,000,000 in guarantee authority; assumes loans are paid out within twelve months of origination. Forbearance agreements in effect for a maximum three year period.

Drought: Assumes all loans are paid out by June 30, 1994.

Agribusiness: Assumes \$5,000,000 in guarantee authority; annual activity based on two loans @ program average (\$287,700) through FY09; assumes guarantees are amortized over 15 years.

Contract: Assumes \$2,000,000 in guarantee authority; FY95 activity based on three loans @ program average (\$50,388); FY96 activity based on three loans @ program average; FY97 activity based on three loans @ program average; assumes loans are repaid within the year they are made.

Recycling: Program terminated on December 3, 1993. Servicing portfolio of existing loans only. Assumes no new guarantees are issued.

Target Area: Assumes \$10,000,000 in guarantee authority; FY96 and FY97 activity based on 25 loans @ program average (\$101,496) each year; thereafter assumes maximum guarantee authority less outstanding guarantees; assumes guarantees are amortized over 15 years.

Tourism: Assumes \$8,000,000 in guarantee authority; annual activity based on 20 loans @ program average (\$46,650) through FY09; assumes guarantees are amortized over ten years.

WDRF Assumptions
June 30, 1995
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Taliesin: Assumes \$7,200,000 in guarantee authority; assumes principal and interest repayment beginning in FY97; assumes guarantee is amortized over seventeen years.

Nonpoint Source Pollution ("NSP"): Assumes \$850,000 in guarantee authority; FY96 activity based on three loans @ \$22,500; FY97 activity based on five loans @ \$22,500; FY98 and FY99 activity based on ten loans @ \$22,500; assumes guarantees are amortized over ten years. Due to inactivity of the program to date, projections are not made beyond FY98.

Clean Air: Assumes \$1,000,000 in guarantee authority; FY96 activity based on two loans @ \$25,000; FY97 activity based on six loans @ \$25,000; FY98 activity based on twelve loans @ \$25,000; FY99 activity based on twelve loans @ \$25,000; assumes guarantees are amortized over fifteen years. Due to lack of experience relative to program activity, projections are not made beyond FY99.

Stratospheric Ozone: Assumes \$500,000 in guarantee authority; FY96 activity based on two loans @ \$25,000; FY97 activity based on six loans @ \$25,000; FY98 activity based on twelve loans @ \$25,000; assumes guarantees are amortized over fifteen years. Due to lack of experience relative to program activity, projections are not made beyond FY98.

Agricultural Chemical Spill ("ACSF"): Assumes \$650,000 in guarantee authority; FY96 activity based on seven loans @ \$23,215; FY97 activity based on seven loans @ \$23,215; FY98 activity based on seven loans @ \$23,215; assumes guarantees are amortized over ten years.

4. **Wisconsin Development Reserve Fund (the "Fund"):** Projected balance at June 30, 1995 is based on the May 31, 1995 balance plus projected interest earning calculated at 4.80% less: projected interest subsidies, guarantee payments, and G&A expenses.
5. **Interest Earnings:** Assumes interest earnings of 4.80% per annum on the ending balance for the period June 1, 1995 - June 30, 1995. Assumes interest rate of 5.93% thereafter.
6. **Fee Income:** Fee Income is made up of a \$200.00 nonrefundable application fee and a fee of 1% of the guaranteed amount due at closing for all guarantee programs except CROP, ACSF and NSP.
7. **Default payments:** Amounts calculated do not reflect possible collections on defaulted loans after the guarantee is paid.

WDRF Assumptions
June 30, 1995
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8. **Interest subsidy payments:** Interest subsidies are paid on the amount of the loan up to the maximum for the appropriate program, not on the guaranteed portion of the loan. To calculate the interest subsidy payment, the size of the portfolio was divided by the guarantee percentage to obtain the principal balance upon which to calculate the subsidy. An average guarantee of 70% was used for the Tourism Fund. Assumes no interest subsidy payments for CROP beyond loans originated in calendar year 1994.
9. **General & Administrative:** Assumes increase of 2% through FY2001; no increases projected beyond FY2001.
10. **Additional assumptions:** Assumes no future transfers are made from the Fund for purposes of this report.

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Projections for the Wisconsin Development Reserve Fund
 Revised by DFE on 6/30/95
 YEAR 06/30/95 1995-96 1996-97 1997-98 1998-99 1999-00 2000-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 2009-10

SUBSIDY RATES (1)
 CROP 2.00% 2.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%
 Tourism 2.64% 1.91% 1.41% 2.23% 0.82% 0.82% 0.34% 0.04% 0.04% 0.04% 0.00% 0.00% 0.00% 0.00%

DEFAULT RATES (2)
 CROP 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76% 1.76%
 Agriculture 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%
 Recycling 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00%
 Target Area 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00% 1.00%
 Tourism 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00% 3.00%
 Non-point Source 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00% 2.00%
 Clean Air 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%
 Tallies 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%
 Agricultural Ozon 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%

PORTFOLIO SIZE (3)
 CROP 22,568,305 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000 27,000,000
 Agriculture 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Contract 2,732,560 3,094,657 3,418,393 3,703,770 3,950,787 4,154,443 4,329,740 4,481,677 4,555,553 4,610,470 4,627,327 4,605,823 4,536,657 4,594,840
 Recycling 1,381,460 1,282,642 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833 1,283,833
 Target Area 4,731,005 6,930,084 8,950,025 9,323,358 9,254,025 9,208,916 9,159,184 9,106,445 9,050,591 8,990,820 8,927,175 8,860,235 8,788,735 8,712,751
 Tourism 3,701,881 4,180,040 4,585,199 4,897,058 5,055,618 5,160,877 5,172,836 5,118,830 5,146,715 5,152,849 5,131,500 5,131,500 5,131,500 5,131,500
 Non-point Source 0 67,500 173,250 380,250 564,750 743,333 866,667 975,750 1,073,333 1,157,500 1,227,500 1,283,333 1,325,000 1,351,500
 Clean Air 0 50,000 186,667 483,333 800,000 1,092,941 1,351,667 1,587,500 1,791,667 1,952,500 2,075,000 2,157,500 2,200,000 2,215,000
 Tallies 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Agricultural Ozon 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Total Portfolio Size 41,734,635 50,168,986 52,930,396 54,258,984 54,994,472 54,222,941 53,615,127 52,939,981 52,225,050 51,486,493 50,678,356 49,889,236 49,011,203 47,666,169

Beginning Balance (4) 14,798,520 13,394,867 11,610,883 10,100,642 8,403,522 6,671,029 4,866,179 2,991,002 1,029,045 (1,049,954) (3,187,479) (5,324,322) (7,458,528) (9,591,178) (11,723,320)
 Reserve Fund @ 6/30/95-RR01 14,798,520 877,552 789,979 688,521 598,968 498,329 395,592 288,564 177,366 61,022 29,302 26,647 23,991 21,335 18,679
 Interest Earnings (5) 57,749 55,749 36,497 31,825 31,825 33,297 33,297 34,614 34,614 31,958 29,302 26,647 23,991 21,335 18,679
 Fee Income (6) 57,749 55,749 36,497 31,825 31,825 33,297 33,297 34,614 34,614 31,958 29,302 26,647 23,991 21,335 18,679
 Defaults (7) 397,202 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200 475,200
 Drought 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Agriculture 81,977 92,846 102,552 111,113 118,524 125,932 133,340 140,748 148,156 155,564 162,972 170,380 177,788 185,196 192,604
 Contract 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512 1,512
 Recycling 41,444 38,479 35,515 32,551 29,587 26,623 23,659 20,695 17,731 14,767 11,803 8,839 5,875 2,911 0
 Target Area 141,930 139,602 179,200 166,637 185,082 184,178 183,184 182,129 181,008 179,816 178,560 177,405 176,250 175,095 173,940
 Tourism 74,032 41,800 45,652 48,521 51,390 54,259 57,128 60,000 62,869 65,738 68,607 71,476 74,345 77,214 80,083
 Non-point Source 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Clean Air 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Tallies 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Agricultural Ozon 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
 Subtotal Defaults 736,864 789,783 843,093 846,743 851,313 793,219 792,786 791,458 789,508 787,094 785,755 783,343 780,931 778,519 776,107

Subsidies (8)
 CROP 300,911 360,000 0 0 0 0 0 0 0 0 0 0 0 0 0
 Tourism 139,512 119,348 91,928 155,013 59,546 60,785 25,157 2,744 2,738 0 0 0 0 0 0
 Subtotal Subsidies 440,423 479,348 91,928 155,013 59,546 60,785 25,157 2,744 2,738 0 0 0 0 0 0

GAA Expense (9) 1,249,668 1,274,661 1,300,155 1,326,158 1,352,681 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734 1,379,734
 Ending Balance 14,798,520 13,394,867 11,610,883 10,100,642 8,403,522 6,671,029 4,866,179 2,991,002 1,029,045 (1,049,954) (3,187,479) (5,324,322) (7,458,528) (9,591,178) (11,723,320) (13,957,360)



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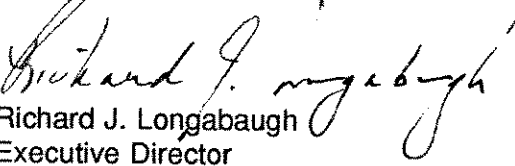
June 30, 1995

Members of Joint Committee on Finance

Dear Committee Members:

Pursuant to Section 234.93(5) of the *Wisconsin Statutes*, I am providing you with a copy of the annual report due on or before November 1 on the guarantee activity within the Wisconsin Development Reserve Fund (the "Fund").

Sincerely,


Richard J. Longabaugh
Executive Director

Enclosure

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Annual Report for the Guaranteed Loan Funds
June 30, 1995

Introduction

Pursuant to Section 234.93 (5) of the *Wisconsin Statutes*, the Wisconsin Housing and Economic Development Authority (the "Authority") is required to submit an annual report on or before November 1 detailing the activity of the loans guaranteed under the Wisconsin Development Reserve Fund (the "Fund"). It should be noted that this report does not account for the amortization of CROP loans and guarantees. The reported numbers reflect the original amount guaranteed. All other program balances are the outstanding balance amount as reported quarterly by participating lenders.

The statutes require that the Authority report on the number and total dollar amount of guaranteed loans under each of the programs guaranteed by the Fund, the default rate on the loans, and any other information that the Authority determines is significant. This report is being completed in conjunction with the Authority's report on the Fund pursuant to Section 234.93(4)(b).

The Fund was created as a result of the consolidation of the reserves of three separate funds in 1991 through Act 39 (*Wisconsin Statutes* 234.93). It is projected that the consolidated reserves will total \$14,798,520 on June 30, 1995. These reserves are leveraged against \$64,834,814 in outstanding guarantee authority.

As of June 30, 1995 the Authority administers ten programs under the Fund including the following:

| Wisconsin Statute | Program Name |
|-------------------|---------------------------------------|
| s. 234.68 | Ozone Fund |
| s. 234.69 | Clean Air |
| s. 234.765 | Contract Fund |
| s. 234.82 | Tourism Fund |
| s. 234.83 | Target Area Fund |
| s. 234.87 | Nonpoint Source Pollution Program |
| s. 234.87 | Agricultural Chemical Spill Fund |
| s. 234.90 | Credit Relief Outreach Program (CROP) |
| s. 234.907 | Agribusiness Fund |
| s. 234.935 | Taliesin |

Status as of June 30, 1995

The attached tables provide statistical information on the status of the programs administered under the Fund.

Annual Report for the Guaranteed Loan Funds
As of June 30, 1995
(Reflects Actual through May 31, 1995 and Projected June, 1995)

| Loan Status | Agribusiness Fund | Contract Fund | CROP | Recycling Fund | Target Area Fund | Tourism Fund |
|--|-------------------|---------------|----------------------------|--------------------------|------------------|--------------|
| Approved (not yet closed) | \$0 | \$0 | N/A | \$0 | \$789,426 | \$0 |
| Performing | \$2,898,961 | \$92,342 | \$21,270,209 | \$1,412,408 | \$3,440,567 | \$4,010,546 |
| Paid-in-Full | \$297,000 | \$690,892 | \$191,293,764 ¹ | \$0 | \$295,362 | \$437,386 |
| Nonperforming | \$96,506 | \$0 | \$55,350 | \$0 | \$512,721 | \$9,000 |
| Forbearance | \$0 | \$0 | \$1,242,746 | \$0 | \$0 | \$0 |
| Defaulted ² | \$200,699 | \$0 | \$5,312,483 | \$208,578 | \$37,377 | \$33,339 |
| Default Rate | 5.53% | 0% | 1.86% | 10.63% | 0.67% | 0.066% |
| Principal Loan Amounts | \$5,057,000 | \$905,490 | \$244,460,071 | \$2,335,000 | \$6,875,243 | \$7,391,457 |
| | 17 loans | 16 loans | 18,500 loans | 7 loans | 59 loans | 107 loans |
| Authorized Authority | \$5,000,000 | \$2,000,000 | \$27,000,000 | \$1,412,408 ³ | \$10,000,000 | \$8,000,000 |
| Guarantee Authority Available ⁵ | \$2,101,039 | \$1,907,658 | \$4,431,695 | \$0 | \$5,273,285 | \$3,980,454 |

- Notes:
- 1 This figure represents CROP guarantees issued since 1985.
 - 2 The defaulted amount accounts for the actual guarantee payment net of recoveries to date.
 - 3 Guarantees can no longer be issued for the Recycling Fund; program terminated effective 12/3/93.
 - 4 Original principal amount of all guaranteed loans.
 - 5 Represents authorized guarantee authority less all outstanding loans.

Annual Report for the Guaranteed Loan Funds
 As of June 30, 1995
 (Reflects Actual through May 31, 1995 and Projected June, 1995)

| Program Name | Authorized Guarantee Authority | Guarantee Authority Outstanding | Number of Loans |
|-----------------------------------|--------------------------------|---------------------------------|-----------------|
| Agricultural Chemical Spill Fund | \$650,000 | \$0 | 0 |
| Nonpoint Source Pollution Program | \$850,000 | \$0 | 0 |
| Clean Air Fund | \$1,000,000 | \$0 | 0 |
| Ozone Fund | \$500,000 | \$0 | 0 |
| Tallesin | \$7,200,000 | \$6,591,764 | 1 |



WISCONSIN HOUSING & ECONOMIC DEVELOPMENT AUTHORITY

Fritz Ruf
Executive Director

Tommy G. Thompson
Governor

Edwin J. Zagzebski
Chairman

July 26, 1996

Mr. Terry Rhodes
Legislative Fiscal Bureau
1 East Main Street
Madison, Wisconsin 53708

Re: WDRF Report

Dear Terry:

Your office tells me you are on vacation this week. Good for you.

I am writing to provide you a draft of the new WDRF report. You will note a new format that is consistent with our last conversation.

Please review this and let's plan to speak during the first week of August (I will be on vacation next week). I would like the benefit of your thoughts before finalizing this information.

You will be able to reach me in Milwaukee on August 5 or 6 by calling 414.227.2292. I'll look forward to speaking with you then.

Sincerely,

James M. Langdon
Chief Communications Officer

Enclosure

cc: Dave Mancil, Office of Chairman Ben Brancel
Nicole Burgess, Office of Chairman Brian Burke

*NICOLE -
WANT YOU TO KNOW
I HAVEN'T FORGOTTEN THIS.
JIM*