

1999 DRAFTING REQUEST

Bill

Received: 10/5/98

Received By: kahlepj

Wanted: Soon

Identical to LRB:

For: Administration-Budget 6-7329

By/Representing: Justus

This file may be shown to any legislator: NO

Drafter: kahlepj

May Contact:

Alt. Drafters:

Subject: Econ. Development - bus. dev.

Extra Copies:

Topic:

DOA:.....Justus - Make local development corporations eligible for grants of loans under the minority business development program

Instructions:

See Attached

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>
/?	kahlepj 10/7/98	gilfokm 10/7/98		_____			
/1			jfrantze 10/8/98	_____	lrb_docadmin 10/8/98		

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<END>

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1?	kahlepj	1-10-7 KMG	10/8	10/8			

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<END>

Pre-1995 Recycling Loan repayments

Intent. The Department proposes that the Recycling Market Development Board be permitted to recoup the repayments made for recycling loans made by the former Wisconsin Department of Department prior to June 30, 1995, and use them for loans for existing eligible recycling market development activities. Prior to 1995 Wisconsin Act 27, the recycling loan repayments were credited to 20.143 (1) (ig), Stats., and could be used by the Department for loans for eligible recycling market development activities. Currently, all loan repayments on pre-1995 recycling loans go to the Segregated Recycling Fund.

20.031 ?

7JK III.

Division of Economic Development

A. Eligibility of Local Economic Development Corporations Under the Minority Business Development Fund Program

Intent. The Department proposes to amend ss. 560.83, particularly s. 560.83 (1), Stats., and 560.84, Stats., to clarify that local development corporations are eligible to receive grants or loans under the Minority Business Development Fund (MBDF) program. The 1997 biennial budget bill (1997 Wisconsin Act 27) provided that "development project" include "the promotion of economic development and promotion opportunities for minority group members or minority businesses." Local development corporations often perform the same functions as that of a MBDF grant or loan recipient. However, current law (s. 560.83 (2), Stats.,) prohibits local development corporations from receiving MBDF funds because their role in the program is limited to that of a financial intermediary or to an entity that operates a revolving loan fund.

One option would be to expand the statutory definition of a minority business to include non-profit, local development corporations under 560.83 (5) (b), Stats.; however, the MBDF Program limits funding to "for-profit" businesses under this section.

B. Development Fund (WDF): Rapid Response Fund Loan Proceeds.

Intent. The Department proposes to create a separate appropriation under s. 20.143 (1), Stats., which would be in addition to the existing s. 20.143 (1) (ie), solely for monies received from the repayment of loans under the Rapid Response Loan Program (s. 560.147 (1)), Stats.

The Rapid Response Fund was created in response to plant closings in Ashland and Marinette. Assigning the loan repayments from this program to a separate appropriation account ensures that sufficient funds will be available to respond to future plant closings and other types of economic emergencies.

C. WDF: Early Planning Grants

560.80

560.80 (intro.) **Definitions.** In this subchapter:

560.80(1)

(1) "Board" means the minority business development board.

560.80(2)

(2) "Development project" means the start-up of a business, or the expansion or acquisition of an existing business, that is or will be a minority business or the promotion of economic development and employment opportunities for minority group members or minority businesses.

560.80(3)

(3) "Early planning project" means the preliminary stages of considering and planning the start-up or expansion of a business that will be a minority business.

560.80(3m)

(3m) "Education and training project" means a business education and training program for minority group members and minority businesses that have received loans for working capital from an eligible recipient under s. 560.837 (1) (b).

560.80(4)

(4)

560.80(4)(a)

(a) "Eligible development project costs" means costs that, in accordance with sound business and financial practices, are appropriately incurred in connection with a development project or a **recycling** development project.

560.80(4)(b)

(b) "Eligible development project costs" does not include entertainment expenses or expenses incurred before the board approves a grant or loan under s. 560.83 or 560.835.

560.80(5)

(5) "Eligible recipient" means a person who is eligible to receive a grant under s. 560.82 (5) or 560.837 or a grant or loan under s. 560.83 (5) or 560.835.

560.80(5m)

(5m) "Finance project" means financial assistance to a minority group member or a minority business described in s. 560.837.

560.80(6)

(6) "Job" means a regular, nonseasonal full-time position in which an individual, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays. "Job" does not include initial training before an employment position begins.

560.80(7)

(7) (intro.) "Local development corporation" means any of the following:

560.80(7)(a)

(a) The elected governing body of a federally recognized American Indian tribe or band in this state or any business created by the elected governing body.

560.80(7)(b)

(b) (intro.) A corporation organized under ch. 181 that is a nonprofit corporation as defined in s. 181.0103 (17), that is at least 51% controlled and actively managed by minority group members and that does all of the following:

560.80(7)(b)1.

1. Operates primarily within specific geographic boundaries.

560.80(7)(b)2.

2. Promotes economic development and employment opportunities for minority group members or minority businesses within the specific geographic area.

560.80(7)(b)3.

3. Demonstrates a commitment to or experience in promoting economic development and employment opportunities for minority group members or minority businesses.

560.80(8)

(8) "Minority business" means a minority business, as defined in s. 560.036 (1) (e), that has its principal place of business in this state.

560.80(9)

(9) "Minority group member" has the meaning given in s. 560.036 (1) (f).

560.80(10)

(10) "New minority business" means a minority business started as a result of an early planning project.

560.80(11)

(11) "Project" means a development project, a **recycling** development project, an early planning project, a finance project, an education and training project or a revolving fund project.

560.80(12)

(12) "**Recycling** development project" means an activity described in s. 560.835 (1) (a) to (d).

560.80 - ANNOT.

History: 1989 a. 31, 335; 1995 a. 27; 1997 a. 27, 79.

560.81

560.81 (intro.) **Minority business grants and loans.** The department shall make a grant or loan to an eligible recipient or local development corporation under this subchapter if any of the following apply:

560.81(1)

(1) The department awards a grant to the eligible recipient under ss. 560.82 and 560.84.

560.81(2)

(2) The board awards a grant or loan to the eligible recipient under ss. 560.83 and 560.84 or under ss. 560.835 and 560.84.

560.81(3)

(3) The board awards a grant or loan to the local development corporation under s. 560.83 (2) or 560.835.

560.81(4)

(4) The board awards a grant to the eligible recipient under s. 560.837.

560.81 - ANNOT.

History: 1989 a. 31, 335; 1997 a. 27.

560.83

560.83 **Minority business development and revolving fund grants and loans.**

560.83(1)

(1) Subject to s. 560.84, the board may award a grant or loan under this section to an eligible recipient to fund eligible development project costs.

560.83(2)

(2) (intro.) The board may award a grant or loan under this section to a local development corporation if all of the following apply:

560.83(2)(a)

(a) (intro.) The local development corporation agrees to use the proceeds of grants or loans under this section for any of the following:

560.83(2)(a)1.

1. To make grants or loans not exceeding \$50,000 each to eligible recipients to fund eligible development project costs.

560.83(2)(a)2.

2. To create, expand or continue a revolving fund program that is operated by the local development corporation and that benefits or will benefit minority businesses or minority group members who are residents of this state.

560.83(2)(b)

(b) The local development corporation agrees to use factors similar to those described in s. 560.84 (1) (a) to (k) and (2) (a) to (f) when making grants or loans under par. (a) 1. or under a revolving fund program under par. (a) 2.

560.83(3)

(3) The board may not award a grant or loan under sub. (1) or (2) unless the eligible recipient or the local development corporation submits an application, or other materials, in a form specified by the department by rule.

560.83(4)

(4)

560.83(4)(a)

(a) In any fiscal biennium, the board may not award, to any one eligible recipient or for any one development project, grants or loans under sub. (1) that total more than \$100,000 in a fiscal biennium.

560.83(4)(b)

(b) In any fiscal year, the board may not award to any one local development corporation grants or loans under sub. (2) that total more than \$200,000.

560.83(5)

(5) (intro.) The board may award grants or loans under sub. (1) only to persons who are any of the following:

560.83(5)(a)

(a) Minority group members who are residents of this state.

560.83(5)(b)

(b) Minority businesses.

560.83 - ANNOT.

History: 1989 a. 31; 1997 a. 27.

560.84

560.84 General criteria.

560.84(1)

(1) (intro.) The department or board may not award a grant or loan for a project under this subchapter unless, after considering the application or other material submitted by the eligible recipient or local development corporation, the department or board determines all of the following:

560.84(1)(a)

(a) That the project serves a public purpose.

560.84(1)(b)

(b)

560.84(1)(b)1.

1. If an early planning project under s. 560.82 or 560.835 (6), that the project will increase employment in this state.

560.84(1)(b)2.

2. If a development project or **recycling** development project, that the project will retain or increase employment in this state.

560.84(1)(c)

(c) That the project is not likely to occur without the grant or loan.

560.84(1)(d)

(d) That financing is unavailable from any other source on reasonably equivalent terms.

560.84(1)(e)

(e) (intro.) That the eligible recipient or local development corporation receiving the grant or loan will contribute, from a source or sources other than the state, whichever of the following applies:

560.84(1)(e)1.

1. For grants funding early planning projects under s. 560.82 or 560.835 (6), not less than 25% of the cost of the project. Up to 50% of the contribution under this subdivision may be in the form of the in-kind services of a qualified 3rd party or qualified 3rd parties. The department shall determine what services may be used as in-kind contributions and whether a 3rd party is qualified, for purposes of this subdivision.

560.84(1)(e)2.

2. For grants and loans funding development projects or **recycling** development projects, a cash contribution of not less than 25% of the cost of the project.

560.84(1)(e)3.

3. For a grant or loan funding a revolving fund project, a cash contribution of not less than 50% of the cost of the project.

560.84(1)(f)

(f) That the project meets all criteria set forth in s. 560.82, 560.83, 560.835 or 560.837, whichever is appropriate.

560.84(1)(g)

(g) That funds from the grant or loan will not be used to replace funds from any other source.

560.84(1)(h)

(h) That the project will not displace workers in this state.

560.84(1)(i)

(i) That the project has sufficient potential to be profitable.

560.84(1)(im)

(im) If a development project, that the project has the potential to promote economic development and employment opportunities for minority group members or minority businesses.

560.84(1)(j)

(j) If a development project, **recycling** development project, finance project or education and training project, that funds from the grant or loan will not be used to refinance existing debt.

560.84(1)(k)

(k) That the project meets any other criteria established by the department by rule.

560.84(2)

(2) (intro.) The board or department shall consider all of the following before awarding a grant or loan to an eligible recipient or local development corporation for a project:

560.84(2)(a)

(a)

560.84(2)(a)1.

1. If an early planning project under s. 560.82 or 560.835 (6), the extent to which the project will increase employment in this state.

560.84(2)(a)2.

2. If a development project or **recycling** development project, the extent to which the project will retain or increase employment in this state.

560.84(2)(b)

(b) The extent to which the project will benefit minority group members who are residents of this state.

560.84(2)(c)

(c) (intro.) If a development project or **recycling** development project, whether the project will be located in any or all of the following:

560.84(2)(c)1.

1. An area of high unemployment or low average income.

560.84(2)(c)2.

2. A development zone designated under s. 560.71, a development opportunity zone designated under s. 560.795 or an enterprise development zone designated under s. 560.797.

560.84(2)(d)

(d) The extent to which the project will attract capital into locations where unemployment exceeds the state average and per capita income is below the state average.

560.84(2)(e)

(e) The likelihood that the project will be successful.

560.84(2)(f)

(f) If a development project or **recycling** development project, the financial soundness of the minority business involved in the project and the commitment of the eligible recipient to repay the loan or grant.

560.84 - ANNOT.

History: 1989 a. 31, 335; 1993 a. 16; 1995 a. 27; 1997 a. 27.

560.85

560.85 Administration.

560.85(1)

(1) The department shall promulgate rules for the administration of this subchapter. The department may not promulgate a rule under this subsection unless the proposed rule has been reviewed by the board.

560.85(2)

(2) The board shall develop a policy governing the repayment of grants and loans made under s. 560.83 or 560.835. The board or department shall deposit moneys received in repayment of grants and loans under s. 560.83 in the appropriation under s. 20.143 (1) (im).

560.85(3)

(3) (intro.) The department shall do all of the following:

560.85(3)(a)

(a) Develop procedures to evaluate applications and monitor project performance for grants awarded for early planning projects under s. 560.82 or 560.835 (6).

560.85(3)(b)

(b) Develop procedures, with the approval of the board, to evaluate applications, monitor project performance and audit grants and loans awarded for development projects under s. 560.83, **recycling** development projects under s. 560.835 and finance projects and education and training projects under s. 560.837.

560.85 - ANNOT.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0462

PJK...f:....

King

DOA:.....Justus - Make local development corporations eligible for grants of loans under the minority business development program

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

SOON
(10-7)

do not fear cat

- 1 AN ACT *x*; relating to: local development corporation eligibility for grants and
- 2 loans under the minority business development program.

Analysis by the Legislative Reference Bureau

COMMERCE AND ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Under the minority business development program, the department of commerce makes grants and loans that the department or the minority business development board (board) awards for business development projects to minority group members and businesses that are at least 51% owned, controlled and actively managed by a minority group member or members. The board may award grants or loans for projects that involve the start-up, expansion or acquisition of a business (development projects). In addition, the board may award a grant or loan to a local development corporation, defined as the governing body of a federally recognized American Indian tribe, or a business created by such a governing body, or a nonprofit corporation promoting economic development in a specific geographic area that is at least 51% controlled and actively managed by minority group members. The local development corporation must in turn use the grant or loan proceeds to make grants or loans to minority group members or minority businesses for development projects.

The bill authorizes the board to award a grant or loan to a local development corporation for its own development projects.

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

✓

1 **SECTION 1.** 560.80 (5) of the statutes is amended to read:

2 560.80 (5) "Eligible recipient" means a person who is eligible to receive a grant
3 under s. 560.82 (5) or 560.837 or a grant or loan under s. 560.83 (5) (a) or (b) or
4 560.835.

5 History: 1989 a. 31, 335; 1995 a. 27; 1997 a. 27, 79.

6 **SECTION 2.** 560.81 (2) of the statutes is amended to read:

7 560.81 (2) The board awards a grant or loan to the eligible recipient or local
8 development corporation under ss. 560.83 (1) and 560.84 or to the eligible recipient
9 under ss. 560.835 and 560.84.

10 History: 1989 a. 31, 335; 1997 a. 27.

11 **SECTION 3.** 560.83 (1) of the statutes is amended to read:

12 560.83 (1) Subject to s. 560.84, the board may award a grant or loan under this
13 ~~section~~ subsection to an eligible recipient or a local development corporation to fund
14 eligible development project costs.

15 History: 1989 a. 31; 1997 a. 27.

16 **SECTION 4.** 560.83 (2) (intro.) of the statutes is amended to read:

17 560.83 (2) (intro.) The board may award a grant or loan under this ~~section~~
18 subsection to a local development corporation if all of the following apply:

19 History: 1989 a. 31; 1997 a. 27.

20 **SECTION 5.** 560.83 (4) (a) of the statutes is amended to read:

21 560.83 (4) (a) In any fiscal biennium, the board may not award, to any one
22 eligible recipient or local development corporation or for any one development

1 project, grants or loans under sub. (1) that total more than \$100,000 in a fiscal
2 biennium.

History: 1989 a. 31; 1997 a. 27.

3 **SECTION 6.** 560.83 (5) (intro.) of the statutes is amended to read:

4 560.83 (5) (intro.) ~~The~~ In addition to local development corporations, the board
5 may award grants or loans under sub. (1) only to persons who are any of the following:

History: 1989 a. 31; 1997 a. 27.

6 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0462/1

PJK:kmg:jf

DOA:.....Justus – Make local development corporations eligible for grants of loans under the minority business development program

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

- 1 AN ACT ...; relating to: local development corporation eligibility for grants and
2 loans under the minority business development program.

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The bill authorizes the board to award a grant or loan to a local development corporation for its own development projects.

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

1 **SECTION 1.** 560.80 (5) of the statutes is amended to read:

2 560.80 (5) "Eligible recipient" means a person who is eligible to receive a grant
3 under s. 560.82 (5) or 560.837 or a grant or loan under s. 560.83 (5) (a) or (b) or
4 560.835.

5 **SECTION 2.** 560.81 (2) of the statutes is amended to read:

6 560.81 (2) The board awards a grant or loan to the eligible recipient or local
7 development corporation under ss. 560.83 (1) and 560.84 or to the eligible recipient
8 under ss. 560.835 and 560.84.

9 **SECTION 3.** 560.83 (1) of the statutes is amended to read:

10 560.83 (1) Subject to s. 560.84, the board may award a grant or loan under this
11 ~~section~~ subsection to an eligible recipient or a local development corporation to fund
12 eligible development project costs.

13 **SECTION 4.** 560.83 (2) (intro.) of the statutes is amended to read:

14 560.83 (2) (intro.) The board may award a grant or loan under this ~~section~~
15 subsection to a local development corporation if all of the following apply:

16 **SECTION 5.** 560.83 (4) (a) of the statutes is amended to read:

17 560.83 (4) (a) In any fiscal biennium, the board may not award, to any one
18 eligible recipient or local development corporation or for any one development
19 project, grants or loans under sub. (1) that total more than \$100,000 in a fiscal
20 biennium.

21 **SECTION 6.** 560.83 (5) (intro.) of the statutes is amended to read:

