

1999 DRAFTING REQUEST

Bill

Received: **10/9/98**

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 - misc.**

Extra Copies:

Topic:

DOA:.....Justus - Require 1.5% loan origination fee for all Wisconsin development fund recipients of awards of \$100,000 or more

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 10/12/98	gilfokm 10/12/98		_____			State
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FE Sent For:

<END>

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1?	kahlepj	1-10-12 KMG	IS 10/12	IS/JF 10/12			

FE Sent For:

<END>

WDF: Early Planning Grants

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Intent. The Department proposes to amend the Wisconsin Development Fund statutes (s. 560.60, et. al., Stats.) to authorize Commerce to allocate up to \$250,000 biennially from the Wisconsin Development Fund to establish an early planning grant program for projects that are located in urban areas. The intent is to ensure that the entire state is covered by an early planning grant program. Currently, the Rural Economic Development Program covers a city, village or town located in a county with a population density of less than 150 persons per square mile or a city, village or town with a population of 6,000 or less (s. 560.17 (1) (d)). With this change, the Department wants to cover a business that is located in a city, village, or town with a population density of 150 persons per square mile or greater, or a business located in a city, village or town with a population greater than 6,000. The program is to be similar to the other early planning programs for the Minority Business Development Fund, Rural Economic Development Fund, etc. in terms of matching requirements and maximum loan size (\$15,000/eligible recipient), etc.

An early planning grant program for urban projects would be consistent with other early planning grant programs that are currently offered by Commerce, and it would complement existing efforts to revitalize the state's urban areas. As noted above, a business that wants to pursue an early planning grant will be able to do, irrespective of the firm's location in the state.

D. WDF: Allocation for Due Diligence:

Intent. The Department proposes a change in the WDF statutes, s. 560.62 (4), Stats., to authorize Commerce to spend up to 0.5% of GPR that is appropriated under s. 20.143 (1) (c) to pay for evaluation costs, foreclosure costs, and due diligence costs that are incurred in administering the WDF loan portfolio.

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Section 560.62 (4), Stats., authorizes the Department to use up to 1% of the GPR allocation under s. 20.143 (1) (c), Stats., for peer reviews under the Technology Development Fund Program; however, this provision does not extend to other WDF programs or expenses. Collection costs that the Department incurs from a defaulted loan cannot be offset by the proceeds from the sale of remaining assets, which means that funds to offset the collection costs are shifted from the program's supplies and services budget. If the supplies and services budget is low, it can preclude the Department from pursuing collection of the defaulted loan. Similarly, if the Department takes over the title to a building as a result of a loan default, insurance becomes an issue. It may be difficult to obtain insurance on the building because of a limited supplies and services budget.

E. WDF: Loan Origination Fee

Intent. The Department proposes to amend s. 560.68 (3), Stats., to require all WDF award recipients of \$100,000 or more to pay a 1.5% loan origination fee.

high

high

Under current law, a 1.5% loan origination fee is assessed to Major Economic Development (MED) and Customized Labor Training (CLT) award recipients of \$200,000 or more. The proceeds from the fee are used to fund a grant specialist position and an auditor position. Since October 1997, the Department has collected approximately \$70,000 in loan origination fees; however, the proceeds are insufficient to support both positions, so the Department is currently holding the auditor position vacant.

Lowering the award threshold and broadening the applicability of the fee will ensure that sufficient funds are available to fund both the grant specialist and auditor positions.

F. Minority Business Early Planning Grant Program: Eliminate the 25% Cap

low

Intent. The Department proposes to eliminate the 25 % cap on the total amount of awards that can be made under the early planning component under s. 560.82 (4), Stats.

Demand for business development loans under the Minority Business Development Fund (MBDF) program is low, which is due, in part, to the need among for assistance with prior to applying for the loans.

Eliminating the cap allows the Department to satisfy minority entrepreneurs' demand for more assistance with business plans, feasibility studies, and marketing plans.

G. Business Development Initiative (BDI): Increase Employee Size Limit from 25 to 100 Employees

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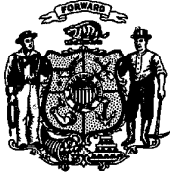
Intent. The Department proposes to amend s. 560.20 (1) (f), Stats., to raise the employee size limit from 25 to 100 employees.

The Business Development Initiative (BDI) program provides technical and financial assistance to small businesses to help with their start-up or expansion plans. In return, businesses are expected to provide employment opportunities for persons with severe disabilities. Under the program, a small business is defined as one that is for-profit and that has fewer than 25 employees.

Raising the employee size limit from 25 to 100 enables the BDI program to assist a larger segment of Wisconsin firms and to serve as a more effective leveraging tool for other programs that assist disabled persons.

H. BDI: Add Technical Assistance Providers as an Eligible Recipient of BDI Technical Assistance Grants on behalf of specific DVR Clients as part of s. 560.20, Stats.

low



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-05477

PJK...
King

DOA:.....Justus - Require 1.5% loan origination fee for all Wisconsin development fund recipients of awards of \$100,000 or more

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

*SOON
(10-12)*

*do not
generate*

1 AN ACT *do not generate*; relating to: grant or loan origination fee.

Analysis by the Legislative Reference Bureau
COMMERCE AND ECONOMIC DEVELOPMENT
ECONOMIC DEVELOPMENT

Under current law, the department of commerce may charge a recipient of a grant or loan awarded under two of the grant and loan programs funded from the Wisconsin development fund an origination fee of up to 1.5% of the amount of the grant or loan if the grant or loan exceeds \$200,000. The bill authorizes the department of commerce to charge a 1.5% origination fee to a recipient of a grant or loan awarded under any of the programs funded from the Wisconsin development fund if the grant or loan equals \$100,000 or more.

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:

2 SECTION 1. 560.68 (3) of the statutes is amended to read:

3 560.68 (3) The department may charge a ~~grant or loan~~ recipient of a grant or
4 loan under this subchapter an origination fee of up to 1.5% of the grant or loan

awarded

1 amount if the grant or loan exceeds ~~\$200,000~~ and is awarded under s. ~~560.63~~ or
2 ~~560.66~~ equals \$100,000 or more. The department shall deposit all origination fees
3 collected under this subsection in the appropriation account under s. 20.143 (1) (gm).

History: 1987 a. 27; 1991 a. 39, 269; 1997 a. 27.

4

(END)

*No D-note
—
(although there's
one in folder)*



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0547/1
PJK:kmg:ijs

DOA:.....Justus - Require 1.5% loan origination fee for all Wisconsin development fund recipients of awards of \$100,000 or more

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to: grant or loan origination fee.**

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

2 **SECTION 1.** 560.68 (3) of the statutes is amended to read:

3 560.68 (3) The department may charge a grant or loan recipient of a grant or
4 loan awarded under this subchapter an origination fee of up to 1.5% of the grant or

1 loan amount if the grant or loan ~~exceeds \$200,000 and is awarded under s. 560.63~~
2 ~~or 560.66~~ equals \$100,000 or more. The department shall deposit all origination fees
3 collected under this subsection in the appropriation account under s. 20.143 (1) (gm).

4 (END)