

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: **05/26/99**

Received By: **kahlepj**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-3847**

By/Representing: **Schug**

This file may be shown to any legislator: **NO**

Drafter: **kahlepj**

May Contact:

Alt. Drafters:

Subject: **Econ. Development - misc.**

Extra Copies:

Pre Topic:

LFB:.....Schug -

Topic:

Changes to WHEDA's FARM guarantee authority and to the housing rehabilitation loan reserve transfer

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 05/27/99	chanaman 05/28/99		_____			
/1			martykr 05/28/99	_____	lrb_docadmin 05/28/99		
/2	kahlepj 06/1/99	chanaman 06/1/99	martykr 06/2/99	_____	lrb_docadmin 06/2/99		

FE Sent For:

<END>

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/?	kahlepj 05/27/99	chanaman 05/28/99		_____			
/1		cmh 6/1 /2	martykr 05/28/99 Jm 6 /1	_____	lrb_docadmin 05/28/99		
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FE Sent For:

<END>



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 26, 1999

Joint Committee on Finance

Paper #1036

Wisconsin Development Reserve Fund (WHEDA)

[LFB 1999-01 Budget Summary: Page 649, #2, 3, 5, 6 & 7]

CURRENT LAW

WHEDA administers several loan guarantee programs related to business development and environmental contamination remediation. The loan guarantee programs are backed by the Wisconsin Development Reserve Fund (WDRF), which generally must contain at least one dollar in its cash balance for every \$4.50 in total outstanding guarantees. The WDRF is used to guarantee loans for various programs, including CROP, FARM, small businesses, brownfields remediation and a loan for the Taliesin Preservation Commission. Under the CROP program, eligible farmers receive guarantees on one-year agricultural production loans. WHEDA guarantees 90% of each qualifying agricultural production loan made by a participating lender with monies in the WDRF. Under the FARM program, eligible farmers receive guarantees (from monies in the WDRF) of up to 25% of the total loan amount to fund various capital improvements. In the 1997-99 budget, \$4 million was transferred from the recycling fund to the WDRF for a brownfields loan guarantee program to guarantee up to \$22,500,000 in loans for brownfields remediation.

WHEDA is authorized to make a loan of up to \$8 million and to guarantee up to 90% of a loan for cultural and architectural landmarks (\$7.2 million of the \$8 million in loans could be guaranteed). WHEDA has disbursed \$7,583,600 for a loan to the Taliesin Preservation Commission. The WDRF is required to maintain at least one dollar in reserve for every \$4 in outstanding guarantees under the Taliesin loan (all other WHEDA programs require one dollar in reserve for \$4.50 in guarantee authority).

The housing rehabilitation loan program provides below market rate loans to low-income households for home repair. The program is financed by the issuance of revenue bonds. The housing rehabilitation loan program administration fund receives revenue from both a housing rehabilitation loan program loan-loss reserve fund and a housing rehabilitation loan program bond redemption fund after the obligations of those funds are met (namely the principal and interest repayment of bonds issued for the program). The administration fund is used to pay most

administrative costs of the loan program. Under current law, excess funds in the administration fund are transferred, upon request of DOA, to the state's general fund, to the extent that WHEDA certifies the funds are no longer required for the program.

GOVERNOR

Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000. Increase the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans were affected by any other state or federal credit assistance program. Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill. Reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000.

Limit WHEDA's authority to make a loan or to use funds from the Wisconsin development reserve fund (WDRF) to guarantee a loan to a nonprofit organization that owns or leases cultural and architectural landmark property and improvements to the \$7,583,600 already provided to the Taliesin Preservation Commission. The loan would continue to be backed by the WDRF and the WDRF must continue to maintain at least one dollar in reserve for every \$4 in outstanding guarantees under the Taliesin loan. However, authority to issue additional loans would be repealed. Interest income received by individuals from the proceeds of any bonds that WHEDA issued to finance loans for the Taliesin Preservation Commission would still be exempt from state taxation. Further, real or personal property of the Commission would also continue to be exempted from general property taxation.

Transfer excess funds from the housing rehabilitation loan program administration fund, as certified by the chairperson of WHEDA, to the WDRF instead of the general fund. Require that unobligated funds from the housing rehabilitation loan program loan-loss reserve fund and the housing rehabilitation loan program bond redemption fund that are transferred to the administration fund be retained there or transferred to the WDRF rather than deposited to the general fund. Transfer at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

DISCUSSION POINTS

Background

1. The WDRF was created by 1991 Wisconsin Act 39 through the consolidation into a single fund of several existing guarantee funds: the agricultural production loan fund (CROP fund), the recycling loan fund and the drought assistance and development loan fund. Each of these separate funds had been created to back guarantees made under one or more legislatively authorized

loan guarantee programs. This consolidated WDRF now backs guaranteed loans made by private lenders under separate programs, reserving funds to repay lenders for any losses from defaulted loans made under any of these guaranteed programs. The WDRF also funds the administrative costs of the loan guarantee programs.

2. The consolidation of the WDRF maximized the available guarantee authority for loan guarantee programs through an enlarged reserve fund. It also streamlined WHEDA's administrative functions, which reduces administrative charges to the WDRF. However, funds allocated for the brownfields remediation loan guarantee program in the 1997-99 budget may not be used to guarantee other loans under the WDRF. Contrary to the goal of consolidation of the WDRF, the separate brownfields remediation account within the WDRF guarantees only a specific type of loan. All other funds allocated to the WDRF have been eligible to guarantee any authorized loan under the WDRF.

3. While the Legislature from time to time appropriates money to the WDRF, the WDRF itself is a separate fund internal to WHEDA that is not considered a part of the state's budget. However, the statutes pledge the state's moral obligation to appropriate any funds necessary to meet obligations of the WDRF. Further, under current law, WHEDA is required to transfer annually (on June 30) to the state's general fund any balance in the WDRF which remains after deducting amounts sufficient to pay outstanding claims and to fund authorized guarantees under each of the loan guarantee programs backed by the fund. No funding has been transferred to the general fund since this statutory requirement was enacted because the balance in the WDRF has been less than the amounts needed to meet these objectives. The balance of the WDRF has declined since 1991, as shown in Table 1. The \$3.6 million increase in the fund in 1997-98 is due to the deposit of \$4 million from the recycling fund for brownfields loan guarantees under 1997 Act 27. The \$3.2 million reduction in 1999-2000 under the bill is related to \$0.5 million in expenditures for administration and loan defaults and the following items discussed in greater detail below: (a) a \$2 million transfer out of the WDRF; (b) a \$5.8 million loan default; and (c) a \$5.1 million deposit.

TABLE 1
WDRF Year End Balances
(Millions)

<u>Year</u>	<u>Balance</u>
1991-92	\$19.0
1992-93	17.4
1993-94	15.5
1994-95	15.2
1995-96	14.2
1996-97	12.9
1997-98	16.5
1998-99*	16.1
1999-00**	12.9
2000-01**	12.5

* Estimated.

** Projected under AB 133.

Brownfields, CROP and FARM affects of the WDRF Balance

4. The bill transfers one-half (\$2 million) of the brownfields loan guarantee reserves to DNR for brownfields site assessment grants. Further, the maximum outstanding principal amount that can be guaranteed for brownfields loans is reduced by one-half to \$11,250,000. To date, no brownfields loan guarantees have been made. Brownfields loan guarantee reserves may not be used except to guarantee a brownfields loan. Thus, approximately \$12.1 million is available in 1998-99 to guarantee all other loans. If the fund balance continues to decline, the statutorily required reserve ratio of 4.5:1 would cause a progressive lowering of the actual amount of loans that could be guaranteed by the fund. Allowing WHEDA to use the remaining funds in the WDRF related to brownfields loans to guarantee any loan under the WDRF would increase the flexibility of WHEDA in guaranteeing loans under the fund.

5. Under the CROP program, a borrower may have at any one time \$20,000 in total outstanding principal in CROP loans. The Governor's proposal would increase the maximum outstanding principal to \$30,000. The majority of CROP loans historically have been for between \$15,000 and \$20,000, as portrayed in Table 2, and the average loan over the past six years has been \$14,200. Further, of the loans listed in the \$15,000 to \$20,000 column, the average loan amount has been \$19,231. Thus, a large number of borrowers are receiving the maximum loan of \$20,000. It is these borrowers that would be expected to increase their loans to \$30,000.

TABLE 2

CROP Loans by Loan Size and Year

	<u>< \$5,000</u>		<u>\$5,000-\$9,999</u>		<u>\$10,000-\$14,999</u>		<u>\$15,000-\$20,000</u>		<u>Total, all guarantees</u>	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1993	182	\$602,669	465	\$3,235,887	374	\$4,285,981	993	\$19,099,443	2,014	\$27,223,980
1994	172	596,435	416	2,906,044	393	4,526,499	1,060	20,354,953	2,041	28,383,931
1995	127	431,268	300	2,100,969	288	3,369,961	739	14,208,639	1,454	20,110,837
1996	96	340,756	293	2,080,887	287	3,326,076	899	17,304,488	1,575	23,052,207
1997	95	319,705	249	1,739,676	245	2,853,655	823	15,817,619	1,412	20,730,655
1998	64	228,839	205	1,440,853	189	2,196,305	700	13,487,951	1,158	17,353,948
Total	736	\$2,519,672	1,928	\$13,504,316	1,776	\$20,558,477	5,214	\$100,273,093	9,654	\$136,855,558

6. If half of the borrowers receiving loans of between \$15,000 and \$20,000 increased their loan to \$30,000, the WDRF would be responsible for guaranteeing 90% of an additional \$3.5 million in loans, thus requiring additional guarantee reserves of \$700,000 (to cover \$3,150,000 in guarantees). The maximum loan to be guaranteed under the CROP program has been set at \$20,000 since the program was authorized in 1985. While some may argue guaranteeing higher loan amounts mainly benefits larger producers, the increase is consistent with the rate of inflation, as measured by the consumer price index.

7. The Governor also proposes increasing the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans were affected by any other state or federal credit assistance program. WHEDA guarantees the lesser of 25% of the amount of the loan made by a participating lender or an amount equal to the potential borrower's net worth. FARM loans are treated differently than other guaranteed loans in that the guarantee amount is based on the total original amount of the loan, rather than the current outstanding loan amount. Thus, for a \$100,000 loan that is guaranteed under the FARM program, the WDRF is accountable for \$25,000. Even if \$75,000 of the loan has been repaid, the WDRF is still responsible for the full \$25,000 remainder of the loan. This may eliminate risk to the lender once a loan is paid down, which would make WHEDA the sole possessor of loan risks. Requiring that WHEDA guarantee 25% of the outstanding principal amount of any eligible loan rather than 25% of the total loan amount would ensure that loan risks are shared between the lender and the WDRF. However, guaranteeing 25% of the total loan amount provides more incentive for lenders to encourage borrowing under the program.

8. In the three years since the FARM program's inception, the average amount for the 32 loans has been \$209,825. It should be noted that the WDRF has only guaranteed up to 25% of the first \$50,000 or \$100,000 depending on other credit obtained by the borrower. Thus, the WDRF has guaranteed less than 12% of the total loan amount for the 32 loans. Increasing the maximum outstanding principal amount of all FARM loans made to a borrower would bring the guarantee percentage closer to 25% of the principal of the loan. However, it also increases the amount of guarantee authority required by the WDRF for the FARM program. Based on past loan activity, the Governor's recommendation would require additional guarantee reserves of \$333,300 (to cover approximately \$1.5 million in guarantees).

9. Since the maximum guaranteed amount of loans under both programs may not exceed \$27 million, raising CROP and FARM loan amounts eligible for guarantee by the WDRF may decrease the number of loans provided under each of these programs. Further, it decreases the remaining guarantee authority available for other programs; the level of activity in one program could begin to constrict the level of activity in another program. Therefore, WHEDA would have to determine which programs would receive priority for the remaining guarantee authority available given the WDRF balance. For example, the small business loan guarantee program created in 1997 Act 27 also uses guarantees from the WDRF. If the increases in guarantee amounts under the CROP and FARM programs use much of the remaining guarantee authority, it would limit the amount of loans that could be guaranteed under the small business loan guarantee program. That is, the programs would have to compete for the guarantee authority available to be backed by the WDRF. The following table shows the various programs guaranteed by the WDRF and actual and maximum authorized guarantee for each.

TABLE 3**Current Actual and Maximum Authorized Guarantee Authority**

	Actual Guaranteed Amount of Loans*	Maximum Guaranteed Amount of Loans	Maximum Principal Amount of Loans
CROP/FARM	\$21,785,000	\$27,000,000	\$30,000,000
Brownfields	0	18,000,000	22,500,000
Small Business	3,183,000	9,900,000	12,375,000
Taliesin	6,825,000	7,200,000	8,000,000
Agribusiness	1,598,000	5,000,000	5,555,556
Expired Programs	<u>8,477,000</u>	<u>N.A.</u>	<u>N.A.</u>
Total	\$41,868,000	\$67,100,000	\$78,430,556

*As of May 1, 1999.

10. Under the bill, as modified by Committee action to date, maximum guarantee authority would decrease from \$67.1 million to \$50.9 million. This reflects a reduction of \$9 million for brownfields loans and a reduction of \$7.2 million for the Taliesin loan. (The Governor's recommendation to provide \$2.5 million from tribal gaming revenues to the WDRF for a small business loan guarantee program was not adopted by the Committee at its May 21 executive session.)

Taliesin Preservation Commission Loan

11. In October, 1993, a loan of \$8,000,000 was made of which \$7.6 million has been disbursed to the Taliesin Preservation Commission through the proceeds of debt instruments issued by WHEDA. The WDRF was used to guarantee the loan. WHEDA and the Commission restructured the loan agreement in April, 1997 to (a) eliminate interest on the loan, (b) defer payment of \$6.5 million in principal until January, 1999 and (c) require principal payments over a 20 year period on \$1.1 million. To date, \$33,333 in principal has been received on the \$1.1 million loan. In general, interest payments that are forgiven are ultimately paid with WHEDA funds.

12. A large portion of the Commission loan (\$6,494,700) technically defaulted in January, 1999. The WDRF, as guarantor, is responsible for repayment of 90% of the defaulted amount, or \$5,845,200. Since the Taliesin loan was made directly by WHEDA, the remaining defaulted amount of \$649,500 will be expended from a WHEDA reserve account for the loan. The remaining \$1,088,900 in disbursements to the Commission has been restructured as a no-interest loan. The AB133 transfer from the housing rehabilitation loan program administration fund would partially offset the default loss to the WDRF. By statute, the WDRF must have at least one dollar in reserve for every \$4.50 in available guarantee authority.

13. A December, 1997, review by the Legislative Audit Bureau found that loan proceeds had been used for financing and operational costs of the Commission, in addition to intended capital improvements. The report also noted that the value of the Commission's collateral for the loan was considerably lower than the outstanding loan amount. The Committee could choose to require WHEDA to take action to recover defaulted loan amounts. However, WHEDA officials believe that the maximum the Taliesin Preservation Commission can reasonably be expected to be able to pay is the remaining principal of the \$1,088,900 restructured loan. Further, placing liens on Commission assets would likely hamper the Commission's ability to procure additional federal or private funding.

Housing Rehabilitation Loan Reserve Transfers

14. The \$5.1 million the Governor proposes transferring from the housing rehabilitation loan program administration fund to the WDRF would have otherwise been available for transfer to the general fund. However, to date, no funds have been transferred to the state's general fund. Under the bill, as the housing rehabilitation loan program administration fund again has unobligated funds, these funds would be retained in the administration fund or transferred to the WDRF. Funds would be transferred to the WDRF only if WHEDA certified that the transfer amount was not necessary for the housing rehabilitation loan program. WHEDA officials anticipate some excess revenue in the administrative fund in the future as well, due to the favorable rate of the bonds issued for the housing programs. However, excess revenue is only transferred to the WDRF at the Authority's discretion. The WDRF is being steadily depleted. Specifying that WHEDA must annually transfer all revenues that are no longer required for the housing rehabilitation loan program to the WDRF may provide revenues to bolster the reserve fund. Alternatively, the Committee could specify that after the initial transfer of \$5.1 million to the WDRF, any excess funds be transferred annually to the general fund.

15. Table 4 outlines the effect of various alternatives on the ability of the WDRF to guarantee loans under its programs. If current law is maintained, due primarily to the Taliesin loan default, no other nonbrownfields loans could be guaranteed until more than \$14.3 million in current guaranteed loans are repaid. Under the Governor's provisions, the WDRF could guarantee an additional \$6.6 million in nonbrownfields loans (\$47.3 million in total) in 1999-2001 while keeping within the 4.5:1 ratio. If the Committee chose to allow WHEDA to use the funds in the WDRF for brownfields loans to guarantee any loan under the WDRF (Alternative A2), the balance of the WDRF would be sufficient to guarantee an additional \$15.6 million in loans, including brownfields guarantees (up to \$56.3 million in total could be guaranteed). While Alternative A2 would not allow total guarantees to exceed those under the bill, to the extent brownfields loan guarantees are underutilized, additional guarantee authority would be available for other guarantee programs.

TABLE 4

Nonbrownfields Loan Guarantee Amounts (in millions)

	<u>1997-98</u>	<u>1998-99*</u>	<u>1999-00</u>	<u>2000-01</u>
Available Guarantee Authority:	\$20.3	\$12.6		
Current Law**			-\$14.3	-\$15.2
Governor**			8.3	6.6
Alternative**			17.3	15.6

*As of May 1, 1999.

**Based on May 1, 1999 guarantees.

ALTERNATIVES TO BASE

A. Guarantee Programs

1. Approve the Governor's recommendation to:
 - a. Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000;
 - b. Increase the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans are affected by any other state or federal credit assistance program; and
 - c. Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill and reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000.
 - d. Limit WHEDA's authority to make a loan, or to use the WDRF to guarantee a loan, for cultural or architectural landmark properties to the amounts already provided to the Taliesin Preservation Commission.
2. In addition, allow WHEDA to use the funds in the WDRF for brownfields loans to guarantee any loan under the WDRF.
3. In addition, require that WHEDA guarantee the lesser of 25% of the outstanding principal amount (rather than the original loan amount) of any eligible FARM loan or an amount equal to the potential borrower's net worth.
4. Maintain current law.

B. Housing Rehabilitation Loan Reserve Transfers

1. Approve the Governor's recommendation to:

a. Transfer excess funds from the housing rehabilitation loan program administration fund, as certified by the chairperson of WHEDA, to the WDRF and require that unobligated funds from the housing rehabilitation loan program loan-loss reserve fund and the housing rehabilitation loan program bond redemption funding that are transferred to the administration fund be retained there or transferred to the WDRF; and

b. Transfer at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

2. In addition to Alternative B1, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the WDRF.

3. Do not adopt the Governor's recommendation. Rather, transfer \$5.1 million from the housing rehabilitation loan program administration fund to the WDRF. Further, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the general fund (rather than to the WDRF).

4. In addition, require that before any monies are transferred from the housing rehabilitation loan program administrative fund to the WDRF, WHEDA submit to the Joint Committee on Finance, for its approval, a report of actions taken to recover defaulted amounts from the Taliesin Preservation Commission.

5. Maintain current law. (It is assumed the \$5.1 million in excess funds identified by WHEDA would be certified for deposit to the general fund. Further, no new loans could be guaranteed under the WDRF.)

Alternative B5	GPR
1999-01 REVENUE (Change to Base)	\$5,100,000
[Change to Bill]	[\$5,100,000]

Prepared by: David Schug



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

Date: 5/25/99

DELIVER TO: Pam Kahler

Addressee Fax #: 4-8522 Addressee Phone #: _____

of Pages Including Cover: 5 Sender's Initials: DAS

From: David Schuh

Message:

Please draft the following regarding WHEADS

Paper 1036 - WDRF

Alt. A 33 B 3 - as amended by motion 946
B motion 949 - paragraph C (eliminate Greenfield's loan guarantee program)

Paper 136 Biotechnology

Alt. 2 (delete on recommendation)

~~Motion~~

TABLE 4

Nonbrownfields Loan Guarantee Amounts (in millions)

	<u>1997-98</u>	<u>1998-99*</u>	<u>1999-00</u>	<u>2000-01</u>
Available Guarantee Authority:	\$20.3	\$12.6		
Current Law**			-\$14.3	-\$15.2
Governor**			8.3	6.6
Alternative**			17.3	15.6

*As of May 1, 1999.

**Based on May 1, 1999 guarantees

1187 + 1220

ALTERNATIVES TO BASE

A. Guarantee Programs

1. Approve the Governor's recommendation to:
 - a. Increase the total outstanding principal amount of CROP loans a borrower may have at any one time from \$20,000 to \$30,000;
 - b. Increase the maximum total outstanding principal amount of all FARM loans made to a borrower that are guaranteed from \$100,000 to \$200,000, and from \$50,000 to \$100,000 if any of the FARM loans are affected by any other state or federal credit assistance program; and
 - c. Require WHEDA to transfer \$2,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental fund on the effective date of the bill and reduce the maximum outstanding principal amount of brownfields loans that may be guaranteed to \$11,250,000.
 - d. Limit WHEDA's authority to make a loan, or to use the WDRF to guarantee a loan, for cultural or architectural landmark properties to the amounts already provided to the Taliesin Preservation Commission.
2. In addition, allow WHEDA to use the funds in the WDRF for brownfields loans to guarantee any loan under the WDRF.
3. In addition, require that WHEDA guarantee the lesser of 25% of the outstanding principal amount (rather than the original loan amount) of any eligible FARM loan or an amount equal to the potential borrower's net worth.
4. Maintain current law.

234.91(5)(a)
 ? delete "calculated at time..."?
 (not for net worth)

and site specific groundwater information. Direct DNR to include physical and chemical groundwater and soil data in existing geographic information systems.

B. Commerce

1. *Brownfields Grant Program.* Provide an additional \$800,000 SEG in 1999-00 and \$1,400,000 SEG in 2000-01 for the existing brownfields grant program. (Revenue would be provided from the \$1 per vehicle increase in the vehicle environmental impact fee.) In addition, make the following changes to the current Commerce brownfields grant program: (a) require Commerce to award one-half of the annual brownfields grant funding for projects, such as recreational or housing development, that are scored without considering the number of jobs created by the project; (b) authorize Commerce to award grant funding for projects that address area-wide groundwater contamination; (c) require grant applicants to document that they were unable to secure funding that was sufficient to support the project from another source; and (d) specify that grant recipients could be awarded other state grants or loans if they were eligible.

2. *Community Development Block Grant Program.* Direct the Department of Commerce to expand the CDBG - Blight Elimination and Brownfields Remediation program to fund redevelopment planning and projects that have a taxable value end use.

C. Wisconsin Housing and Economic Development Authority

1. *WHEDA Loan Guarantees.* [LFB Paper #1036] In addition to adopting Alternative A.1.c. eliminate the brownfields loan guarantee program and direct WHEDA to transfer the remaining \$2,000,000 for the program from the Wisconsin development reserve fund to the environmental fund. *transfer 4,000,000? delete guarantee auth change?*

D. Department of Transportation

1. *DOT Brownfields Funds.* Require the Department of Transportation to market the following programs to ensure optimum utilization to assist the cleanup and redevelopment of brownfield properties: (a) local transportation facility improvement assistance; (b) transportation enhancements; (c) transportation facilities economic assistance and development; and (d) transportation infrastructure loans.

E. General Fund Taxes

1. *Remediation Tax Credits.* Delete the requirement that 25% of all development zone tax credits claimed must be based on creating or retaining full time jobs for development zone environmental remediation tax credits claimed in development and enterprise development zones. Provide that environmental remediation tax credits claimed in development and enterprise development zones would not have to be based on activities that created or caused to create jobs.

B. Housing Rehabilitation Loan Reserve Transfers

1. Approve the Governor's recommendation to:

a. Transfer excess funds from the housing rehabilitation loan program administration fund, as certified by the chairperson of WHEDA, to the WDRF and require that unobligated funds from the housing rehabilitation loan program loan-loss reserve fund and the housing rehabilitation loan program bond redemption funding that are transferred to the administration fund be retained there or transferred to the WDRF; and

b. Transfer at least \$5.1 million in 1999-2000 from the housing rehabilitation loan program administration fund to the WDRF, regardless of whether the WHEDA chairperson certifies that the funds are no longer required for the housing rehabilitation loan program.

2. In addition to Alternative B1, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the WDRF.

3. Do not adopt the Governor's recommendation. Rather, transfer \$5.1 million from the housing rehabilitation loan program administration fund to the WDRF. Further, require WHEDA to annually transfer, beginning on or before October 1, 2000, all funds in the housing rehabilitation loan program administration fund that are no longer required for the housing rehabilitation loan program to the general fund (rather than to the WDRF). *what about chairperson's cert? no request - no cert? ←*

4. In addition, require that before any monies are transferred from the housing rehabilitation loan program administrative fund to the WDRF, WHEDA submit to the Joint Committee on Finance, for its approval, a report of actions taken to recover defaulted amounts from the Taliesin Preservation Commission. *Correct*

5. Maintain current law. (It is assumed the \$5.1 million in excess funds identified by WHEDA would be certified for deposit to the general fund. Further, no new loans could be guaranteed under the WDRF.)

by: David Schug

MO#	Y	N
Burke	Y	N
Decker	Y	N
Jauch	Y	N
Moore	Y	N
Shiblski	Y	N
Plache	Y	N
Cowles	Y	N
Panzer	Y	N
Gard	Y	N
Porter	Y	N
Kaufert	Y	N
Albers	Y	N
Duff	Y	N
Ward	Y	N
Huber	Y	N
Riley	Y	N

Alternative B3	GPR
1999-01 REVENUE (Change to Base)	\$5,100,000
[Change to Bill]	\$5,100,000

MO#	Y	N
Burke	Y	N
Decker	Y	N
Jauch	Y	N
Moore	Y	N
Shiblski	Y	N
Plache	Y	N
Cowles	Y	N
Panzer	Y	N
Gard	Y	N
Porter	Y	N
Kaufert	Y	N
Albers	Y	N
Duff	Y	N
Ward	Y	N
Huber	Y	N
Riley	Y	N

MO#	Y	N
Burke	Y	N
Decker	Y	N
Jauch	Y	N
Moore	Y	N
Shiblski	Y	N
Plache	Y	N
Cowles	Y	N
Panzer	Y	N
Gard	Y	N
Porter	Y	N
Kaufert	Y	N
Albers	Y	N
Duff	Y	N
Ward	Y	N
Huber	Y	N
Riley	Y	N

MO#	Y	N
Burke	Y	N
Decker	Y	N
Jauch	Y	N
Moore	Y	N
Shiblski	Y	N
Plache	Y	N
Cowles	Y	N
Panzer	Y	N
Gard	Y	N
Porter	Y	N
Kaufert	Y	N
Albers	Y	N
Duff	Y	N
Ward	Y	N
Huber	Y	N
Riley	Y	N

PASS 10:00

Senator Moore
Representative Ward

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Wisconsin Development Reserve Fund
[Paper #1036]

Motion:

Move to amend Alternative B3 to transfer the lesser of \$5,845,215 or the amount needed to cover the guaranteed default amount of the loan to the Taliesin Preservation Commission from the housing rehabilitation loan program administration fund to the WDRF.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0426/1

PJK.....

cmr

LFB:.....Schug – Changes to WHEDA’s FARM guarantee authority and to the housing rehabilitation loan reserve transfer

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

SOON
(5-27-99)
D-note

1 At the locations indicated, amend the bill as follows:

2 1. Page 450, line 5: after that line insert:

3 “SECTION 505c. 20.490 (5) (t) of the statutes is repealed.”.

4 2. Page 1106, line 19: after that line insert:

5 “SECTION 2370m. 234.265 (2) of the statutes is amended to read:

6 234.265 (2) Records or portions of records consisting of personal or financial
7 information provided by a person seeking a grant or loan under s. 234.08, 234.49,
8 234.59, 234.61, 234.65, 234.67, 234.83, 234.84, ~~234.88~~, 234.90, 234.905, 234.907 or
9 234.91, seeking a loan under ss. 234.621 to 234.626, seeking financial assistance
10 under s. 234.66, seeking investment of funds under s. 234.03 (18m) or in which the

1 authority has invested funds under s. 234.03 (18m), unless the person consents to
2 disclosure of the information.”.

History: 1971 c. 287; 1983 a. 81, 83, 192; 1985 a. 29, 33; 1987 a. 421; 1989 a. 31, 335, 336, 359; 1991 a. 39, 309; 1993 a. 16, 437; 1995 a. 116, 150; 1997 a. 27, 35.

3 **3.** Page 1107, line 6: delete lines 6 to 10 and substitute:

4 “SECTION 2372c. 234.51 (2) (intro.) of the statutes is amended to read:

5 234.51 (2) (intro.) Subject to agreements with bondholders, the authority shall
6 use moneys in the fund solely for the following purposes:

History: 1977 c. 418; 1981 c. 349; 1985 a. 29.

7 **SECTION 2372d.** 234.51 (2) (a) of the statutes is amended to read:

8 234.51 (2) (a) To pay all administrative costs, expenses and charges, including
9 origination fees and servicing fees, incurred in conducting the housing rehabilitation
10 loan program other than those described in ss. 234.53 (4) and 234.55 (2) (b); ~~or~~.

History: 1977 c. 418; 1981 c. 349; 1985 a. 29.

11 **SECTION 2372e.** 234.51 (2) (b) of the statutes is repealed and recreated to read:

12 234.51 (2) (b) To transfer annually to the general fund, beginning no later than
13 October 1, 2000, all moneys in the housing rehabilitation loan program
14 administration fund that are no longer required for the housing rehabilitation loan
15 program.

16 **SECTION 2372f.** 234.51 (2) (c) of the statutes is created to read:

17 234.51 (2) (c) To make the transfer under 1999 Wisconsin Act (this act),
18 section 9125 (1), to the Wisconsin development reserve fund under s. 234.93.

19 **SECTION 2372g.** 234.51 (2) (c) of the statutes, as created by 1999 Wisconsin Act
20 (this act), is repealed.”.

21 **4.** Page 1114, line 17: delete lines 17 to 20 and substitute:

22 “SECTION 2388b. 234.88 of the statutes is repealed.”.

23 **5.** Page 1116, line 7: after that line insert:

1 ✓ ✓
 1 “SECTION 2393c. 234.91 (5) (a) of the statutes is amended to read:
 2 234.91 (5) (a) Subject to par. (c), the authority shall guarantee collection of a
 3 percentage of the principal of a loan eligible for a guarantee under sub. (2). The
 4 principal amount of an eligible loan that the authority may guarantee may not
 5 exceed the borrower’s net worth calculated at the time the loan is made or 25% of the
 6 total loan outstanding principal amount, whichever is less, calculated at the time the
 7 loan is made.”.

History: 1995 a. 150.

8 6. Page 1116, line 11: after that line insert: ✓

9 “SECTION 2394r. 234.93 (1) (e) of the statutes is repealed.”. ✓

10 7. Page 1292, line 7: after that line insert: ✓

11 “SECTION 3027r. 600.01 (1) (b) 8. of the statutes is amended to read: ✓

12 600.01 (1) (b) 8. Guarantees of the Wisconsin Housing and Economic
 13 Development Authority under s. 234.68, 1995 stats., s. 234.69, 1995 stats., s.
 14 234.765, 1995 stats., s. 234.82, 1995 stats., s. 234.87, 1995 stats., and ss. 234.67,
 15 234.83, 234.84, ~~234.88~~, 234.90, 234.905, 234.907 and 234.91.”. ✓

History: 1971 c. 260; 1975 c. 375, 421; 1975 c. 422 s. 163; 1977 c. 203; 1979 c. 89, 102, 177; 1983 a. 358 s. 14; 1989 a. 31; 1989 a. 187 s. 29; 1989 a. 317, 336; 1991 a. 39, 69, 250, 309; 1993 a. 16; 1995 a. 116, 150, 289; 1997 a. 27, 35.

16 8. Page 1408, line 21: delete “at least \$5,100,000”.

17 9. Page 1408, line 22: delete the material beginning with “, regardless” and
 18 ending with “act” on page 1409, line 2, and substitute “the lesser of \$5,845,215 or the
 19 amount needed to cover the guaranteed default amount of the loan to the Taliesin
 20 Preservation Commission”.

****NOTE TO EDITOR: SHOULD THERE BE A COMMA AFTER “LINE 2”? THE PROGRAMED ITEM
 DID NOT HAVE ONE SO I ADDED IT, BUT PLEASE TAKE IT OUT IF IT WILL SCREW UP THE
 AUTO-ENGROSSING.

21 10. Page 1441, line 19: delete “\$2,000,000” and substitute “\$4,000,000”.

Insert 3-9

1 **11.** Page 1441, line 21: delete "of the statutes" and substitute ", 1997 stats".

2 **12.** Page 1453, line 20: after that line insert:

3 *INITIALS PPP* **(1)(a)** FARM ASSETS REINVESTMENT MANAGEMENT LOAN GUARANTEES. The
4 treatment of section 234.91 (5) (a) of the statutes first applies to loans, the collection
5 of which is guaranteed on the effective date of this subsection."

6 **13.** Page 1473, line 19: after that line insert:

7 *EFFECTIVE DATE* **(3)(a)** TRANSFER TO WISCONSIN DEVELOPMENT RESERVE FUND. The repeal of section
8 234.51 (2) (c) of the statutes takes effect on July 1, 2000."

9 (END)

letter "g"

letter "g"

D-note

Insert 3-9

#. Page 1170, line 19: delete "234.88
(1)(a)" and substitute "560.60(1v)".

(end of ins. 3-9)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBb0426/dn

PJK.....

cmr

David:

This is the WHEDA amendment related to the brownfields loan guarantee program, the FARM loan guarantee program and the transfers from the housing rehabilitation loan program fund.

Notice the initial applicability provision for the change to the amount that WHEDA may guarantee under the FARM program. I did not think that the change could apply to existing loan guarantees because of agreements with creditors under s. 234.93 (2) (a).

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: Pam.Kahler@legis.state.wi.us

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBb0426/1dn
PJK:cmh:km

May 28, 1999

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State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0426/2
PJK:cmh:km

rmis run

LFB:.....Schug – Changes to WHEDA's FARM guarantee authority and to the housing rehabilitation loan reserve transfer

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

*SOON
(6-1-99)
J-note*

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 450, line 5: after that line insert:

3 "SECTION 505c. 20.490 (5) (t) of the statutes is repealed."

4 **2.** Page 1106, line 19: after that line insert:

5 "SECTION 2370m. 234.265 (2) of the statutes is amended to read:

6 234.265 (2) Records or portions of records consisting of personal or financial
7 information provided by a person seeking a grant or loan under s. 234.08, 234.49,
8 234.59, 234.61, 234.65, 234.67, 234.83, 234.84, ~~234.88~~, 234.90, 234.905, 234.907 or
9 234.91, seeking a loan under ss. 234.621 to 234.626, seeking financial assistance
10 under s. 234.66, seeking investment of funds under s. 234.03 (18m) or in which the

1 authority has invested funds under s. 234.03 (18m), unless the person consents to
2 disclosure of the information.”.

3 **3.** Page 1107, line 6: delete lines 6 to 10 and substitute:

4 “**SECTION 2372c.** 234.51 (2) (intro.) of the statutes is amended to read:

5 234.51 (2) (intro.) Subject to agreements with bondholders, the authority shall
6 use moneys in the fund solely for the following purposes:

7 **SECTION 2372d.** 234.51 (2) (a) of the statutes is amended to read:

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9 origination fees and servicing fees, incurred in conducting the housing rehabilitation
10 loan program other than those described in ss. 234.53 (4) and 234.55 (2) (b); ~~or~~

11 **SECTION 2372e.** 234.51 (2) (b) of the statutes is repealed and recreated to read:

12 234.51 (2) (b) To transfer annually to the general fund, beginning no later than
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15 program.

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17 234.51 (2) (c) To make the transfer under 1999 Wisconsin Act (this act),
18 section 9125 (1), to the Wisconsin development reserve fund under s. 234.93.

19 **SECTION 2372g.** 234.51 (2) (c) of the statutes, as created by 1999 Wisconsin Act
20 (this act), is repealed.”.

21 **4.** Page 1114, line 17: delete lines 17 to 20 and substitute:

22 “**SECTION 2388b.** 234.88 of the statutes is repealed.”.

23 **5.** Page 1116, line 7: after that line insert:

24 “**SECTION 2393c.** 234.91 (5) (a) of the statutes is amended to read:

1 234.91 (5) (a) Subject to par. (c), the authority shall guarantee collection of a
2 percentage of the principal of a loan eligible for a guarantee under sub. (2). The
3 principal amount of an eligible loan that the authority may guarantee may not
4 exceed the borrower's net worth calculated at the time the loan is made or 25% of the
5 total loan outstanding principal amount, whichever is less, calculated at the time the
6 loan is made."

7 **6.** Page 1116, line 11: after that line insert:

8 "SECTION 2394r. 234.93 (1) (e) of the statutes is repealed."

9 **7.** Page 1170, line 19: delete "234.88 (1) (a)" and substitute "560.60 (1v)".

10 **8.** Page 1292, line 7: after that line insert:

11 "SECTION 3027r. 600.01 (1) (b) 8. of the statutes is amended to read:

12 600.01 (1) (b) 8. Guarantees of the Wisconsin Housing and Economic
13 Development Authority under s. 234.68, 1995 stats., s. 234.69, 1995 stats., s.
14 234.765, 1995 stats., s. 234.82, 1995 stats., s. 234.87, 1995 stats., and ss. 234.67,
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16 **9.** Page 1408, line 21: delete "at least \$5,100,000".

17 **10.** Page 1408, line 22: delete the material beginning with ", regardless" and
18 ending with "act" on page 1409, line 2, and substitute "the lesser of \$5,845,215 or the
19 amount needed to cover the guaranteed default amount of the loan to the Taliesin
20 Preservation Commission".

21 **11.** Page 1441, line 19: delete "\$2,000,000" and substitute "\$4,000,000".

22 **12.** Page 1441, line 21: delete "of the statutes" and substitute ", 1997 stats".

23 **13.** Page 1453, line 20: after that line insert:

Insert 3-6

Insert 3-6

⑨ #. Page 1116, line 9: delete "under
A. 234.51(2)(b), or " .

(end of ins. 3-6)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRBb0426/2dn
PJK:cmh:km

June 1, 1999

David:

This redraft removes the language regarding transfers under s. 234.51 (2) (b) to the Wisconsin development reserve fund.

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: Pam.Kahler@legis.state.wi.us



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb0426/2
PJK:cmh:km

LFB:.....Schug – Changes to WHEDA’s FARM guarantee authority and to the housing rehabilitation loan reserve transfer

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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