

Fiscal Estimate Narratives

WHEDA 2/26/02

LRB Number	01-4560/1	Introduction Number	SB-445	Estimate Type	Original
Subject					
Family farm protection package					

Assumptions Used in Arriving at Fiscal Estimate

WHEDA administers the WDRF fund referred to in the proposed legislation. This fund is used for loan guarantees in 4 areas: Small business, FARM, CROP, and agribusiness. There are application fees associated with each program. SBG and Agribusiness have \$200 fees, and FARM and CROP have \$150 fees. The application fee on CROP was instituted in 1999 after considerable consultation with our agricultural lender advisory group and was put in place to help cover administrative costs, be consistent with other loan guarantee programs, and to diminish less than serious applications.

CROP is by far the biggest in guarantee utilization, generating approximately \$102,000 in fee income on an annual basis.

WHEDA is authorized by statute to recover administrative costs for these programs from the WDRF. Fee income is used to offset some of those costs. Thus, if this legislation passes, there will be no financial effect on WHEDA, as we are able to recover those costs from the fund rather than from the fees. However, this will reduce the amount of the available funds by the amount of the reduced fees, which means the capacity in the WDRF will be reduced approximately \$102,000 annually. Thus it will diminish the amount of funds available for all the programs contained in this program, including CROP, at a faster rate than currently. This is particularly difficult when investment income, the other source of funds for WDRF, is considerably down in the interest rate environment we are in today.

Thus, to keep the WDRF fund at its current capacity level, eliminating fees would require a cash infusion of \$102,000 annually from GPR. Otherwise, WDRF, already nearly fully utilized, will have a diminished loan guarantee ability of approximately \$460,000 annually (\$102,000 times 4.5 leverage ratio).

Long-Range Fiscal Implications