

State of Misconsin 2011 – 2012 LEGISLATURE LRB–1875/1 FFK:sbb&kjf:rs

September 2011 Special Session

SENATE BILL 2

- October 11, 2011 Introduced by COMMITTEE ON SENATE ORGANIZATION, by request of Governor Scott Walker, Senator Leibham, and Representatives Petryk, Bernier, and Larson. Referred to Committee on Economic Development and Veterans and Military Affairs.
- AN ACT to repeal 234.83 (1c) (a) and 234.83 (2) (a) 1. and 2.; to consolidate, renumber and amend 234.83 (1c) (intro.) and (b) and 234.83 (2) (a) (intro.) and 3.; and to amend 234.83 (3) (a) 3. and 234.83 (4) of the statutes; relating to: small business loan guarantees by the Wisconsin Housing and Economic Development Authority.

Analysis by the Legislative Reference Bureau

Under current law, the Wisconsin Housing and Economic Development Authority (WHEDA) administers the small business development loan guarantee program (program). Under the program, WHEDA may guarantee repayment of up to the lesser of \$200,000 or 80 percent of the principal of a loan made by a private lender to a small business or the elected governing body of a federally recognized American Indian tribe in this state. A small business development loan that is guaranteed by WHEDA may be used for expenses associated with the expansion or acquisition of a business, with the start-up of a day care business, or the start-up of a small business in a vacant storefront in the downtown area of a rural community. Under current law, a "small business" means a business that employs fewer than 50 full-time employees.

This bill makes the following changes to the program:

1. The cap on the amount of a loan that may be guaranteed under the program is raised from \$200,000 or 80 percent of the principal of the loan to \$500,000 or 80 percent of the principal of the loan.

2. The definition of "small business" is expanded from businesses that employ up to 50 full–time employees to businesses that employ up to 250 full–time employees.

3. The requirement that the owner of a small business be actively engaged in the small business in order to qualify for the program is deleted.

4. The permitted use of proceeds of a loan for the start-up of a small business in a vacant storefront in a downtown area is expanded to apply to a community of any size by removing the limitation to rural communities.

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:

SECTION 1. 234.83 (1c) (intro.) and (b) of the statutes are consolidated, 1 2 renumbered 234.83 (1c) and amended to read: 3 234.83 (1c) DEFINITIONS DEFINITION. In this section: (b) "Small section, "small business" means a business, as defined in s. 560.60 (2), that employs 50 250 or fewer 4 5 employees on a full-time basis. 6 **SECTION 2.** 234.83 (1c) (a) of the statutes is repealed. 7 SECTION 3. 234.83 (2) (a) (intro.) and 3. of the statutes are consolidated, 8 renumbered 234.83 (2) (a) and amended to read: 9 234.83 (2) (a) A small business to which all of the following apply: 3. The, 10 provided that the name of the owner of the small business does not appear on the statewide support lien docket under s. 49.854 (2) (b) or, if the name of the owner of 11 12 the <u>small</u> business appears on that docket, the owner of the <u>small</u> business provides to the authority a payment agreement that has been approved by the county child 13 14 support agency under s. 59.53 (5) and that is consistent with rules promulgated under s. 49.858 (2) (a). 15 16 **SECTION 4.** 234.83 (2) (a) 1. and 2. of the statutes are repealed.

SECTION 5. 234.83 (3) (a) 3. of the statutes is amended to read:

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234.83 (3) (a) 3. The start-up of a small business in a vacant storefront in the 1 2 downtown area of a rural community city, town, or village in this state, including the 3 purchase or improvement of land, buildings, machinery, equipment, or inventory. 4 **SECTION 6.** 234.83 (4) of the statutes is amended to read: 5 234.83 (4) GUARANTEE OF REPAYMENT. The authority may guarantee repayment 6 of a portion of the principal of any loan eligible for a guarantee under sub. (1m). That 7 portion may not exceed 80% of the principal of the loan or \$200,000 \$500,000, 8 whichever is less. The authority shall establish the portion of the principal of an 9 eligible loan that will be guaranteed, using the procedures described in the 10 agreement under s. 234.93 (2) (a). The authority may establish a single portion for 11 all guaranteed loans that do not exceed \$250,000 \$625,000 and a single portion for 12 all guaranteed loans that exceed \$250,000 §625,000 or establish on an individual 13 basis different portions for eligible loans that do not exceed \$250,000 \$625,000 and 14 different portions for eligible loans that exceed <u>\$250,000</u> <u>\$625,000</u>.

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(END)