

2011 Se1 DRAFTING REQUEST

Bill

Received: **04/08/2011**

Received By: **fknepp**

Wanted: **As time permits**

Companion to LRB:

For: **Scott Fitzgerald (608) 266-5660**

By/Representing: **Rob Richard**

May Contact:

Drafter: **fknepp**

Subject: **Econ. Development - bus. dev.**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Fitzgerald@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

WHEDA small business loan guarantee program changes

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>
/?	csundber 04/12/2011			_____			State
/1	fknepp 04/13/2011	edt_sbasford 05/06/2011	rschluet 05/09/2011	_____	ggodwin 05/09/2011	lparisi 09/30/2011	
				_____	ggodwin 05/09/2011		

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Companion to LRB:

For: **Administration**

By/Representing: **Nate Yahn**

May Contact:

Drafter: **fknepp**

Subject: **Econ. Development - bus. dev.**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **nate.yahn@wisconsin.gov**

Carbon copy (CC:) to: **fern.knepp@legis.wisconsin.gov**

Fixed

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Drafter: **fknepp**

Subject: **Econ. Development - bus. dev.**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **nate.yahn@lwisconsin.gov**

Carbon copy (CC:) to: **fern.knepp@legis.wisconsin.gov**

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/?	csundber 04/12/2011 fknepp	1 SBB 4/18 11kf 5/16		pk 5/19 Jb			State

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WHEDA's Economic Development Modernization BILL 1 Points

**** Chapter 234.83, Small business development loan guarantee program.**

The program currently limits the maximum guarantee to the lesser of 80% of the loan amount or \$200,000. **The Team recommends:**

- Increase the maximum guarantee to the lesser of 80% of the loan amount or \$500,000.

The Team feels this change is necessary for the following reasons. First, the overall cost to complete a project has increased due to general increases in input costs (i.e. materials, labor, licensing, etc.). It now costs more to complete the same project that was undertaken just a few years ago.

Second, by offering a larger guarantee, WHEDA becomes a viable financing option on larger projects that will likely create more jobs for Wisconsin. Coupled with WHEDA's existing niches (i.e. mixed-use projects, flexible underwriting, guarantees to non-profits), WHEDA's guarantees will become attractive to a broader customer base.

Additionally, larger guarantees will create more fee income and recurring revenue for the Wisconsin Development Reserve Fund which will allow the programs to become more self sustaining.

The Small Business Guarantee program now limits participation to businesses with 50 or fewer full time employees at the time of application. **The Team recommends:**

- Eligible businesses will employ 250 or fewer employees on a full time basis at the time of application.

If the maximum guarantee is increased as proposed, the Team expects that it will attract larger businesses. The Statutes do not limit participation based on annual sales and to assure that the program still focuses on smaller businesses, the Team felt that the 250 employee threshold will allow the program to broaden its focus while maintaining a bias toward smaller operations.

The Small Business Guarantee program is restricted by its eligible borrower requirements. **The Team recommends:**

- Delete the requirement that the owner of the business be actively engaged in the business.

Removing this requirement increases the types of businesses the program can finance. Finally, the Small Business Guarantee program is limited to “rural communities.” **The Team recommends:** Delete the definition of rural community.

* Removing this definition allows WHEDA to guarantee small business loans in every Wisconsin community.



State of Wisconsin
2011 - 2012 LEGISLATURE



LRB-1875/1

FFK:.....

KJF
SBB +
EMR

In-4-13-11

2011 BILL

1 AN ACT ^{Gen} relating to: small business loan guarantees by the Wisconsin Housing
2 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. Under the small business development loan guarantee program, WHEDA may guarantee repayment of up to the lesser of \$200,000 or 80% 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 small business development loan guarantee program:

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

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

+
(program)

percent

percent

percent

higher

higher

BILL

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:

1 **SECTION 1.** 234.83 (1c) (intro.) and (b) of the statutes are consolidated,
2 renumbered 234.83 (1c) and amended to read:

3 234.83 (1c) ~~DEFINITIONS~~ DEFINITION. In this section: (b) ~~“Small section, “small~~
4 business” means a business, as defined in s. 560.60 (2), that employs ~~50~~ 250 or fewer
5 employees on a full-time basis.

History: 1991 a. 39; 1993 a. 394; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2005 a. 75; 2009 a. 185.

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
11 statewide support lien docket under s. 49.854 (2) (b) or, if the name of the owner of
12 the small business appears on that docket, the owner of the small business provides
13 to the authority a payment agreement that has been approved by the county child
14 support agency under s. 59.53 (5) and that is consistent with rules promulgated
15 under s. 49.858 (2) (a).

History: 1991 a. 39; 1993 a. 394; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2005 a. 75; 2009 a. 185.

16 **SECTION 4.** 234.83 (2) (a) 1. and 2. of the statutes are repealed.

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

BILL

1 234.83 (3) (a) 3. The start-up of a small business in a vacant storefront in the
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 History: 1991 a. 39; 1993 a. 394; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2005 a. 75; 2009 a. 185.

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 ~~\$250,000~~ \$625,000.

15 History: 1991 a. 39; 1993 a. 394; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2005 a. 75; 2009 a. 185.

(END)

-1875

Parisi, Lori

From: Hanaman, Cathlene
Sent: Thursday, September 29, 2011 5:13 PM
To: Parisi, Lori
Cc: Barman, Mike; Basford, Sarah

Lori:

The two drafts of Fern's should be changed so that the requester is Sen Fitz. And then jacket for Assbly and Sen, Send to Sen Fitz.

Joe has a couple of the same.