

June 1988 Spec. Sess.
Assembly Bill 2

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1987 Wisconsin Act 421

AN ACT to amend 46.255 (7), 234.265 (2), 234.90 (4) (b) 1, 234.90 (7m) (a) 2. b and 234.90 (7m) (b); and to create 20.490 (5), 234.90 (7m) (a) 3, 234.905 and 234.92 of the statutes, relating to increasing the authorized loan guarantee amounts in the agricultural production loan guarantee program, distributing information on drought relief, providing agricultural production drought assistance loan guarantees and interest rate reductions on agricultural production drought assistance loans and making appropriations.

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

SECTION 1. 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

	<u>1987-88</u>	<u>1988-89</u>
20.490 Wisconsin housing and economic development authority		
(5) AGRICULTURAL PRODUCTION DROUGHT ASSISTANCE LOAN GUARANTEE		
(a) Agricultural production drought assistance loan fund	GPR C	-0- 7,500,000

SECTION 2. 20.490 (5) of the statutes is created to read:

20.490 (5) AGRICULTURAL PRODUCTION DROUGHT ASSISTANCE LOAN GUARANTEE. (a) *Agricultural production drought assistance loan fund.* 1. As a continuing appropriation, the amounts in the schedule to be transferred, within 3 days after the effective date of this subdivision ... [revisor inserts date], to the agricultural production drought assistance loan fund under s. 234.92.

2. Subdivision 1 does not apply after February 28, 1989.

SECTION 3. 46.255 (7) of the statutes, as created by 1987 Wisconsin Act 27, is amended to read:

46.255 (7) The department may provide a certification under sub. (1) to a state agency or authority under s. 21.49 (2) (e), 36.11 (6) (b), 36.25 (14), 36.34 (1), 39.30 (2) (e), 39.38 (2), 39.435 (6), 39.44 (4), 39.47 (2m), 45.351 (2) (c), 45.396 (6), 45.74 (6), 45.80 (2) (e), 144.245 (5m) (b), 144.25 (8) (L), 234.04 (2), 234.49 (1) (c), 234.59 (3) (c), 234.65 (3) (f), 234.905 (3) (d), 234.90 (3) (d) or 949.08 (2) (g).

SECTION 4. 234.265 (2) of the statutes is amended to read:

234.265 (2) Records or portions of records consisting of personal or financial information provided by a person seeking a grant or loan under s. 234.08, 234.49, 234.59, 234.65, 234.70, 234.905 or 234.90, seeking investment of funds under s. 234.03 (18m) or in which the authority has invested funds under s. 234.03

(18m), unless the person consents to disclosure of the information.

SECTION 4g. 234.90 (4) (b) 1 of the statutes, as affected by 1987 Wisconsin Acts 7 and 178, is amended to read:

234.90 (4) (b) 1. Except as provided in subd. 2, the total principal amounts of all loans made on or after February 1, 1988, which the authority may guarantee under par. (a) may not exceed ~~\$20,000,000~~ \$25,000,000.

SECTION 4p. 234.90 (7m) (a) 2. b of the statutes, as affected by 1987 Wisconsin Acts 7 and 178, is amended to read:

234.90 (7m) (a) 2. b. An amount equal to ~~\$20,000,000~~ \$25,000,000 or, if a total principal amount is determined under sub. (4) (b) 2, equal to that amount, minus the principal amount of all guaranteed loans granted on or after February 1, 1988.

SECTION 5. 234.90 (7m) (a) 3 of the statutes is created to read:

234.90 (7m) (a) 3. An amount equal to the moneys in the agricultural production loan fund that are committed to guarantee agricultural production drought assistance loans under s. 234.905.

SECTION 6. 234.90 (7m) (b) of the statutes is amended to read:

234.90 (7m) (b) If under par. (a) the authority deducts an amount sufficient to pay outstanding and anticipated claims under this section or to cover agri-

cultural production drought assistance loans guaranteed under s. 234.905, the authority shall transfer moneys to the general fund each calendar quarter as claims are resolved or the agricultural production drought assistance loans guaranteed under s. 234.905 are paid, until no balance remains in the agricultural production loan fund.

SECTION 7. 234.905 of the statutes is created to read:

234.905 Agricultural production drought assistance loan guarantees. (1) DEFINITIONS. In this section and in s. 234.92:

(a) "Agricultural commodity" has the meaning given under s. 94.67 (2).

(b) "Agricultural production drought assistance loan" means a loan to a farmer to finance extraordinary drought-related costs, including the cost of any of the following:

1. Fertilizer, seed, fuel, pesticides, tillage services, crop insurance, or any other service or consumable good necessary to produce an agricultural commodity to replace or supplement an agricultural commodity adversely affected by drought conditions.

2. Water delivery in connection with agricultural commodities adversely affected by drought conditions.

3. Feed and associated expenses for animals to supplement feed supplies adversely affected by drought conditions.

(c) 1. "Deficiency" means that portion of the unpaid principal amount of a defaulted agricultural production drought assistance loan guaranteed under sub. (4) which exceeds 10% of the unpaid principal amount of the guaranteed loan.

2. "Deficiency" does not include any interest, any origination fees or other charges relating to the guaranteed loan or any expenses incurred by the lender in enforcing any security on the guaranteed loan.

(d) "Farmer" has the meaning given under s. 102.04 (3).

(e) "Guaranteed loan" means an agricultural production drought assistance loan on which the authority guarantees collection.

(f) "Participating lender" means a bank, production credit association, credit union, savings and loan association or other person who makes agricultural production drought assistance loans and who has entered into an agreement with the authority under sub. (7).

(2) ELIGIBLE LOANS. An agricultural production drought assistance loan made by a participating lender is eligible for guarantee of collection by the authority if all of the following apply:

(a) The total of the principal amounts of all guaranteed loans extended to the borrower under this section will not exceed \$10,000.

(b) The rate of interest on the agricultural production drought assistance loan, including any origina-

tion fees or other charges relating to the agricultural production drought assistance loan, does not exceed 9.5% annually.

(c) The participating lender shall pay directly any supplier of fertilizer, seed, fuel, pesticides, tillage services, crop insurance, animal feed, water or other service or consumable good necessary to produce an agricultural commodity, if the borrower obtains the agricultural production drought assistance loan to pay that supplier.

(d) The participating lender obtains security for repayment of the agricultural production drought assistance loan or follows other procedures required by the authority to secure repayment of the agricultural production drought assistance loan.

(e) The term of the agricultural production drought assistance loan is not longer than 3 years.

(f) The proceeds of the agricultural production drought assistance loan may not be applied to the outstanding balance of any other loan.

(g) The proceeds of the agricultural production drought assistance loan may not be used to refinance a loan made under this section.

(3) ELIGIBLE FARMERS. A farmer is eligible for a guaranteed loan if all of the following apply:

(a) The farmer does not meet the participating lender's minimum standards of creditworthiness to receive an agricultural production drought assistance loan in the normal course of the participating lender's business.

(b) The participating lender projects the amount of the farmer's debts to be approximately 40% or more of the amount of the farmer's assets.

(c) In the judgment of the participating lender, it is reasonably likely that if the farmer receives a guaranteed loan the farmer's assets, cash flow and managerial ability are sufficient to preclude voluntary or involuntary liquidation before the end of the loan term.

(d) The authority has not received a certification under s. 46.255 (7) that the farmer is delinquent in making child support or maintenance payments.

(e) The participating lender projects that the farmer will lose approximately 40% or more of the farmer's crops because of drought conditions.

(4) GUARANTEE OF COLLECTION. (a) Except as provided in par. (b), on or before February 28, 1989, the authority shall guarantee collection of 90% of the principal of any agricultural production drought assistance loan eligible for guarantee under sub. (2) made to a farmer eligible for a guaranteed loan under sub. (3).

(b) 1. Except as provided in subd. 2, the total principal amounts of all agricultural production drought assistance loans which the authority may guarantee under par. (a) may not exceed \$35,000,000.

2. The authority may request permission from the secretary of administration to increase the total princi-

pal amounts of all agricultural production drought assistance loans it may guarantee under this section. The secretary of administration may authorize the increase if the secretary determines that the agricultural production drought assistance loan fund and the agricultural production loan fund under s. 234.91 contain sufficient funds to guarantee agricultural production drought assistance loans in the requested total principal amount. If the secretary authorizes the increase, the secretary shall notify the joint committee on finance in writing. The authority may proceed with the proposed increase if within 14 working days after notification the committee does not schedule a meeting to review the proposed increase. If the committee schedules a meeting to review the proposed increase, the increase may not take effect unless the committee approves it.

(5) **INTEREST REDUCTION.** The authority shall pay, from the moneys in the agricultural production drought assistance loan fund, to each participating lender an amount equal to 3.5% of the principal amount of any guaranteed loan to reduce interest payments on the guaranteed loan paid by a farmer.

(6) **DEFAULT.** (a) A participating lender shall determine when a guaranteed loan is in default, except that any guaranteed loan not repaid in full at or before the end of the loan's term is in default. Upon default, if there is any deficiency remaining after the participating lender has enforced to the fullest extent possible any security on the guaranteed loan and has followed any procedures required by the authority to secure the guaranteed loan, the participating lender may so notify the authority. The authority may not accept notice of enforcement and deficiency after June 1, 1992.

(b) Not more than 60 days after accepting notice of enforcement and deficiency under par. (a), the authority shall pay to a participating lender, from the agricultural production drought assistance loan fund under s. 234.92, the amount of the deficiency.

(c) If the funds in the agricultural production drought assistance loan fund are insufficient to pay a deficiency under par. (b), the authority may pay the deficiency from uncommitted funds in the agricultural production loan fund under s. 234.91.

(7) **ADMINISTRATION.** (a) The authority shall enter into a guarantee agreement with any bank, production credit association, credit union, savings and loan association or other person who makes agricultural production drought assistance loans and who wishes to have those loans guaranteed under this section. The authority may determine all of the following, consistent with this section:

1. The form of the agreement.
2. Any conditions upon which the authority may refuse to enter into such an agreement.
3. Any procedures required to carry out the agreement.

(b) Except as provided in sub. (6) (c), the authority may not use any moneys other than those in the agricultural production drought assistance loan fund to guarantee an agricultural production drought assistance loan under this section.

(7m) **BALANCE TRANSFER.** (a) No later than August 31, 1992, the authority shall transfer to the general fund any balance remaining in the agricultural production drought assistance loan fund on that date after deducting an amount equal to all claims outstanding on the date of transfer.

(b) If under par. (a) the authority deducts an amount sufficient to pay outstanding claims, the authority shall transfer moneys to the general fund each calendar quarter as claims are resolved, until no balance remains in the agricultural production drought assistance loan fund.

(8) **MORAL OBLIGATION.** Recognizing its moral obligation to do so, the legislature expresses its expectation and aspiration that, if ever called upon to do so, it shall make an appropriation to meet all demands for funds under this section.

(9) **ANNUAL REPORT.** On or before November 1 annually beginning in 1988 and ending in 1992, the authority shall submit to the chief clerk of each house of the legislature for distribution under s. 13.172 (2) a report on the number of agricultural production drought assistance loans made under this section, the default rate on the loans and any other information on the program under this section which the authority determines is significant.

(10) **PROGRAM TERMINATION.** After August 31, 1992, subs. (1) to (8) apply only to outstanding claims unresolved as of that date.

SECTION 8. 234.92 of the statutes is created to read:

234.92 Agricultural production drought assistance loan fund. There is established under the jurisdiction and control of the authority an agricultural production drought assistance loan fund, consisting of both of the following:

(1) Any moneys appropriated to the authority under s. 20.490 (5) (a) or received by the authority for the agricultural production drought assistance loan fund from any other source.

(2) Any income from investment of moneys in the agricultural production drought assistance loan fund by the authority under s. 234.03 (18).

SECTION 12. Appropriation changes; agriculture, trade and consumer protection. (1) **FARM MEDIATION AND ARBITRATION PROGRAM.** The appropriation to the department of agriculture, trade and consumer protection under section 20.115 (9) (a) of the statutes, as affected by the acts of 1987, is increased by \$30,000 for fiscal year 1988-89 to distribute drought relief information through the farmers' hotline.