



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2011 Wisconsin Act 214
[2011 Senate Bill 459]

**WHEDA Economic Development
Activities**

The Wisconsin Housing and Economic Development Authority (WHEDA) may issue negotiable bonds and notes to finance economic development activities, including making economic development loans to finance “economic development projects.” Act 214 makes several modifications to the statutes governing these activities, which are described below. The Act also makes several minor statutory changes which are not described in this memorandum.

ELIGIBLE ECONOMIC DEVELOPMENT PROJECTS

Facilities for Manufacturing Activities

Prior law defined an “economic development project” to include land, plant, or equipment for facilities for manufacturing activities specified under a specific division in the standard industrial classification manual published by the federal government printing office.

Act 214 provides that land, plant, or equipment for *any* type of manufacturing facility are included as an economic development project.

Commercial Real Estate Activities

Act 214 specifies that land, plant, or equipment for facilities for commercial real estate activities are included within the definition of “economic development project.” Under prior law, commercial real estate activities were not included.

Retail Sale of Goods or Services

Under prior law, land, plant, or equipment for facilities for the retail sale of goods or services were included within the definition of economic development project only if the facilities were located

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature’s Web site at: <http://www.legis.state.wi.us/>.

in certain areas such as a tax incremental district, an environmental remediation tax incremental district, or a business incubator. Act 214 eliminates this locational restriction.

Research and Development Activities

Under prior law, facilities for research and development activities were included within the definition of “economic development project” only if the research and development was related to the production of tangible products. Act 214 eliminates this requirement.

Activities of a Long-Term Nature

Under prior law, to be included as an economic development project, “activities of a long-term nature, such as research and development,” were required to be performed by a firm engaged in manufacturing activities, or in research and development of manufactured products. Act 214 eliminates this requirement.

Long-Term Working Capital

Act 214 adds the “activity” of “long-term working capital” within the definition of “economic development project.”

LOANS FOR SMALL BUSINESSES

Under prior law, WHEDA was required to give preference to certain types of businesses when granting loans. Included was a preference for businesses with 25 or fewer employees. Act 214 provides instead that preference must be given to businesses with up to 250 employees.

Also under prior law, WHEDA was prohibited from both of the following: (a) granting any loan greater than \$8 million to a business with gross annual sales in excess of \$5 million; and (b) financing any economic development loan for a business with gross annual sales over \$35 million. Act 214 eliminates both of these prohibitions.

LIMITS ON AMOUNTS OF BONDS AND NOTES ISSUED

Under prior law, WHEDA was authorized to issue no more than \$200 million in aggregate principal amount of bonds and notes for economic development activities.

Act 214 eliminates this limitation and instead authorizes WHEDA to issue up to \$150 million in aggregate principal amount of bonds and notes for economic development activities in each of the next three fiscal years. After that time, if WHEDA determines that issuance of additional bonds and notes will promote significant economic development in the state, WHEDA may seek approval from the Joint Committee on Finance to do so. The Joint Committee on Finance may approve the request under a 14-day passive review, in which case WHEDA may proceed to issue up to \$150 million in aggregate principal bonds and notes, excluding bonds and notes issued to refund outstanding bonds or notes, in each of the three succeeding fiscal years. If the cochairpersons of the Joint Committee on Finance notify WHEDA that the committee has scheduled a meeting to review WHEDA’s proposal, WHEDA may issue additional bonds and notes only upon approval of the Joint Committee on Finance.

WISCONSIN ECONOMIC DEVELOPMENT CORPORATION OVERSIGHT

This Act eliminates the role of the Wisconsin Economic Development Corporation in overseeing various aspects of WHEDA's economic development activities, and requires a business that receives an economic development loan to report directly to WHEDA.

Effective date: Act 214 takes effect on April 20, 2012.

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