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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2011-12

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Rural Economic Development and Rural Affairs...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Assembly

Record of Committee Proceedings

Committee on Rural Economic Development and Rural Affairs

Assembly Bill 294

Relating to: small business loan guarantees by the Wisconsin Housing and Economic Development Authority.

By Representatives Petryk, Bernier, T. Larson, Krug, Rivard, Bies, Nerison, Marklein, Steineke, Murtha, Endsley, Williams, Loudeneck, Ripp and Tranel; cosponsored by Senator Leibham.

September 29, 2011 Referred to Committee on Rural Economic Development and Rural Affairs.

October 12, 2011 **PUBLIC HEARING HELD**

Present: (13) Representatives A. Ott, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Ringhand and Doyle.

Absent: (1) Representative Steineke.

Excused: (1) Representative Petrowski.

Appearances For

- Representative Warren Petryk — 93rd Assembly District
- Representative Tom Larson — 67th Assembly District

Appearances Against

- None.

Appearances for Information Only

- Mary Ann McCoshen, Madison — Wisconsin Housing & Economic Development Authority (WHEDA)

Registrations For

- Representative Amy Loudeneck — 45th Assembly District
- Senator Joe Leibham — 9th Senate District
- Daryll Lund, Madison — Community Bankers of Wisconsin
- Amy Boyer, Madison — Wisconsin Economic Development Association
- Brian Dake, Madison — Wisconsin Independent Businesses (WIB)
- Pete Hanson, Madison — Wisconsin Restaurant Association

Registrations Against

- None.

Registrations for Information Only

- None.

October 19, 2011

EXECUTIVE SESSION HELD

Present: (15) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Radcliffe, Ringhand and Doyle.

Absent: (0) None.

Excused: (0) None.

Moved by Representative Steineke, seconded by Representative T. Larson that **Assembly Amendment 2** be recommended for adoption.

Ayes: (14) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Danou, Vruwink, Jorgensen, Ringhand and Doyle.

Noes: (0) None.

Absent: (1) Representative Radcliffe.

ASSEMBLY AMENDMENT 2 ADOPTION RECOMMENDED,
Ayes 14, Noes 0

Moved by Representative Danou, seconded by Representative Vruwink that **Assembly Amendment 3** be recommended for adoption.

Ayes: (6) Representatives Danou, Vruwink, Jorgensen, Radcliffe, Ringhand and Doyle.

Noes: (9) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson and Rivard.

ASSEMBLY AMENDMENT 3 ADOPTION NOT
RECOMMENDED, Ayes 6, Noes 9

Moved by Representative Danou, seconded by Representative Jorgensen that **Assembly Amendment 4** be recommended for adoption.

Ayes: (5) Representatives Danou, Vruwink, Jorgensen, Ringhand and Doyle.
Noes: (9) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson and Rivard.
Absent: (1) Representative Radcliffe.

ASSEMBLY AMENDMENT 4 ADOPTION NOT RECOMMENDED, Ayes 5, Noes 9

Moved by Representative Vruwink, seconded by Representative Jorgensen that **Assembly Amendment 5** be recommended for adoption.

Ayes: (5) Representatives Danou, Vruwink, Jorgensen, Ringhand and Doyle.
Noes: (9) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson and Rivard.
Absent: (1) Representative Radcliffe.

ASSEMBLY AMENDMENT 5 ADOPTION NOT RECOMMENDED, Ayes 5, Noes 9

Moved by Representative Danou, seconded by Representative Vruwink that **Assembly Amendment 6** be recommended for adoption.

Ayes: (5) Representatives Danou, Vruwink, Jorgensen, Ringhand and Doyle.
Noes: (9) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson and Rivard.
Absent: (1) Representative Radcliffe.

ASSEMBLY AMENDMENT 6 ADOPTION NOT RECOMMENDED, Ayes 5, Noes 9

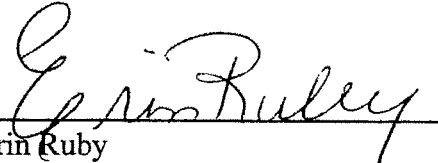
Moved by Representative Steineke, seconded by Representative T. Larson that **Assembly Bill 294** be recommended for passage as amended.

Ayes: (10) Representatives A. Ott, Steineke, Petrowski, Murtha, Tauchen, Ripp, Krug, T. Larson, Rivard, Doyle.

Noes: (4) Representatives Danou, Vruwink, Jorgensen
and Ringhand.

Absent: (1) Representative Radcliffe.

PASSAGE AS AMENDED RECOMMENDED, Ayes 10, Noes 4


Erin Ruby
Committee Clerk

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Steineke

Seconded by: Larson

AB 294

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jim Steineke	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Steve Doyle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 14 - 1 _____

Motion Carried

Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Danou

Seconded by: Vruwink

AB 294

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Clearinghouse Rule _____

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Be recommended for:

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Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Steve Doyle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 6 9 _____

Motion Carried

Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Danou

Seconded by: Jorgensen

AB 294

SB _____

Clearinghouse Rule _____

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Be recommended for:

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<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Steve Doyle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Motion Carried

Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Vruwink

Seconded by: Jorgensen

AB 294 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
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A/S Amdt 5
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Be recommended for:
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 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
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Motion Carried Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Danou

Seconded by: Vruwink

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Be recommended for:

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<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
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Representative Steve Doyle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>5</u>	<u>9</u>	<u>1</u>	_____

Motion Carried

Motion Failed

Vote Record

Committee on Rural Economic Development and Rural Affairs

Date: 10/19/11

Moved by: Steineke

Seconded by: Larson

AB 294

SB _____

Clearinghouse Rule _____

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Be recommended for:

- Passage
 Adoption
 Confirmation
 Concurrence
 Indefinite Postponement
 Introduction
 Rejection
 Tabling
 Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Steve Doyle	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 4 1

Motion Carried

Motion Failed





Warren Petryk

State Representative • 93rd Assembly District

Date: October 12, 2011

To: Members of the Committee on Rural Economic Development and Rural Affairs

From: Representative Petryk

Re: AB 294

Good morning Chairman Ott and members of the Committee. I appreciate having this opportunity to come before you today to testify in favor of Assembly Bill 294. This is a small but vital piece of legislation that will assist in getting Wisconsin back to work.

Assembly Bill 294 will make simple yet significant changes to the Wisconsin Housing and Economic Development Authority, WHEDA, small business development loan guarantee program. This program was originally designed to provide small businesses with 50 or fewer employees with a loan guarantee of \$250,000 or 80 percent of the principal loan amount if they met all the qualifications.

Currently, to qualify, the small business must use the loan proceeds for direct or related expenses including the purchase or improvement of land, buildings, machinery, equipment or inventory. This must be associated with the start-up of a small business in a vacant storefront in the downtown area of a rural community. Also, the business must be unable to obtain adequate conventional financing or reasonable terms and be located in or relocating to Wisconsin. WHEDA must also have reason to believe that the loan will have a positive impact in terms of job creation or retention which is the exact goal of our upcoming special session on jobs. This bill provides another avenue for small business start-ups, retention, and job creation.

Assembly Bill 294 will make 4 simple changes to the small business development loan guarantee program that will breakdown some of the roadblocks for qualification. First, the bill expands the definition of a small business from 50 or fewer to up to 250 employees. Second, through an Amendment I drafted yesterday, the bill will increase the cap on the loan amount from \$250,000 to \$750,000 or 80 percent of the principal loan amount. Third, the bill will expand the program beyond only rural communities. And lastly, the requirement that the owner of a small business must be actively engaged in the business to qualify will be deleted. I, and my co-authors, believe that this rule is burdensome and doesn't take into consideration that a business owner may have a supervisor or manager that is actively involved in the day to day operations.

WHEDA programs do not rely on state taxpayer dollars. The money for the small businesses development loan guarantee program comes from the sale of revenue bonds

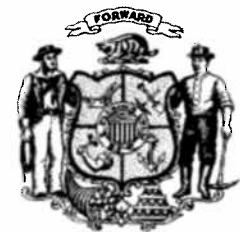
and the fees associated with the loans. Currently, WHEDA charges a closing fee of 1.5 percent of the guaranteed amount on loans under \$150,000 and 2.5 percent on guaranteed amounts that are greater than \$150,000. There is an annual servicing fee of 0.25 percent on the outstanding balance of the guaranteed loan amount. Because of the foundation for the program, the fiscal estimate on Assembly Bill 294 is ZERO state tax dollars.

I believe that Assembly Bill 294 is a vital key to job growth here in Wisconsin. This legislation will create more access to capital for small businesses who have told us that they are struggling for capital because of burdensome regulations from financial institutions. Assembly Bill 294 will help ensure the success of our small businesses which is essential to getting our economy back on track.

Thank you for your time and I would be happy to take any questions from members of the committee.



WISCONSIN STATE LEGISLATURE





WISCONSIN LEGISLATIVE COUNCIL

*Terry C. Anderson, Director
Laura D. Rose, Deputy Director*

TO: REPRESENTATIVE WARREN PETRYK

FROM: Anna Henning, Staff Attorney

RE: Provisions Under Current Law and 2011 Assembly Bill 294 Affecting Small Business
Development Loan Guarantees in Rural Communities

DATE: October 17, 2011

This memorandum responds to your request for background information and legislative history relating to a provision of the small business development loan guarantee program that is specific to rural communities. In addition, the memorandum describes changes made to that provision by 2011 Assembly Bill 294 ("the bill"), relating to small business loan guarantees.

SMALL BUSINESS DEVELOPMENT LOAN GUARANTEE PROGRAM

The small business development loan guarantee program is administered by the Wisconsin Housing and Economic Development Authority (WHEDA). Under current law, WHEDA may use funds from the Wisconsin Development Reserve Fund to guarantee a loan made to an eligible borrower if the loan satisfies various criteria.¹ One of the criteria specifies that the loan proceeds must be used for the purchase or improvement of land, buildings, machinery, equipment, or inventory relating to one of the following three types of activities:

- The expansion or acquisition of a business.
- The start-up of a child care business.
- The start-up of a small business in a vacant storefront in the downtown area of a rural community.

¹ Several criteria relate to the terms of the loan and to actions required to be taken by the lender. For example, WHEDA must approve the interest rate for the loan, the lender must obtain a security interest in the borrower's assets, and the lender must believe that it is reasonably likely that the borrower will be able to repay the loan in full with interest.

Only the third of the above activities must be conducted in a "rural community." "Rural community" is defined to mean a city, town, or village that either: (1) is located in a county with a population density of less than 150 persons per square mile; or (2) has a population of 12,000 or less.

To be eligible to receive a guarantee for a loan used for any of the three types of activities listed above, a borrower must: (1) be a small business that employs 50 or fewer full-time employees; (2) have an owner who is actively engaged in the business; and (3) have an owner whose name does not appear on the statewide support lien docket or who has a valid child support payment agreement.

WHEDA is authorized to determine the portion of the principal of an eligible loan to be guaranteed under the program. However, the guaranteed portion may not exceed 80% of the principal of the loan or \$200,000, whichever is less.

LEGISLATIVE HISTORY

1997 Wisconsin Act 27, the 1997-99 Biennial Budget Act, consolidated several loan guarantee programs to form the small business development loan guarantee program. Under that act, loan guarantees were available for loans used for the first two of the three types of activities listed above (business expansions and child care center start-ups); they were not available for starting a business in a vacant downtown storefront in a rural community.

Eligibility for loans used to start a business in a vacant downtown storefront in a rural community was added under 2001 Wisconsin Act 16, the 2001-03 Biennial Budget Act. The provision was recommended by Governor Scott McCallum in his budget proposal, as part of a more general emphasis on rural economic development initiatives.²

Specifically, the Governor's proposal allowed WHEDA to guarantee loans under the small business loan guarantee program for expenses associated with the start-up of a small business in a vacant storefront in the downtown area of a "rural community," defined to mean a city, town, or village with a population of less than 50,000. During the legislative review of the budget act, the provision allowing loans for business start-ups in rural communities was adopted, but the definition of "rural community" was amended to mean a city, town, or village that either has a population of 12,000 or less or is located in a county with a population density of less than 150 persons per square mile.

ASSEMBLY BILL 294

The bill makes several changes to expand eligibility for WHEDA's small business development loan guarantee program. First, the bill allows small businesses with 250 or fewer full-time employees to receive loan guarantees (in contrast to the 50 or fewer full-time employee limit under current law). Second, it removes the requirement that a small business owner be actively engaged in a business that receives a loan guarantee. In addition, it increases the maximum portion of a loan that may be guaranteed to the lesser of \$500,000 or 80% of the loan, rather than lesser of \$200,000 or 80% of the loan.

² Governor McCallum's "Budget in Brief" from that session highlights the "Governor's Rural Initiative," with numerous proposed budget provisions and initiatives relating to investment in rural economic development.

With regard to rural communities, the bill removes the requirement that loans used to start a small business in a downtown vacant storefront must be used in a rural community. Instead, under the bill, loan proceeds may be used in connection with a start-up business in a downtown storefront in any city, town, or village in the state.

If you have any questions, please feel free to contact me directly at the Legislative Council staff offices.

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