



Wisconsin Economic Development Association

To: Members, Senate Committee on Economic Development and Commerce

From: James Buchen, Legislative Liaison, Wisconsin Economic Development Association
Brian Doudna, Executive Director, Wisconsin Economic Development Association

Date: January 11, 2016

Re: SB 515

Chair Senator Gudex and members of the Senate Economic Development and Commerce Committee, thank you for the opportunity to address you today. I am James Buchen, the Legislative staff of the Wisconsin Economic Development Association (WEDA), a statewide non-profit organization dedicated to expanding the economy of our State. With me is Brian Doudna, Executive Director of WEDA and prior to taking this role, he worked for over 20 years as a leader in local and county wide economic development organizations from the Monroe, Oneida, Portage and Eau Claire Counties.

Since 1975, WEDA's membership – which numbers over 400 – is dedicated to making Wisconsin a better place to live and work through economic development policies and training that focuses on retaining and expanding existing businesses; facilitating and attracting investment, entrepreneurship, new company startups, redevelopment, community development and capital formation

As part of our 2015 – 2016 Legislative Agenda, WEDA supported the concept of a Capital Lending Pool and SB 515 is similar in purpose to this proposal. Therefore, WEDA sees great potential in SB 515 as a method to enhance Wisconsin's economic development toolbox, and we support and encourage the creation of a loan program that provide financing for early stage or small economic development projects. WEDA would like to offer several amendments that would enhance how the program is implemented in the field and provide the greatest return on investment for the taxpayers of Wisconsin.

First, I want to reinforce that WEDA truly appreciates the additional investment into economic development loan programs to advance projects that grow the economy of our State. That being said, here are some potential amendments to SB 515 for your consideration:

The purpose of our amendments is to reduce duplication in the field and to ensure that underwriting standards are successfully implemented to protect the public dollar.

Therefore, WEDA recommends two (2) modifications:

- WEDA would recommend that the bill provide funding allocations to each designated economic development region rather than the specific organization, since underwriting is a skill and expertise that is not found within all of the currently outlined organizations. In fact, there are some existing loan organizations that operate in these designated regions that would not be eligible for these funds as the legislation is currently structured.

- Administrative fees should have a limit as the intent of this funding is to facilitate projects versus providing a source of operating revenue for organizations that are administering / managing the loan portfolio. Our thought would be to limit administration to no more than 5% of the total grant to the region.

We would have several points for consideration by the Corporation upon implementation:

- 1) Funding should remain available for primary or secondary financing needs (i.e. not just gap financing) to meet the various industry sectors and/or community / economic / workforce needs. However, consistent statewide underwriting criteria should be established and loans larger than \$250,000 should undergo some level of state review.
- 2) While for the legislation, the term "revolving loan fund" is being used. WEDA would suggest using other terminology upon implementation, so that the program is not confused with existing revolving loan fund programs that use federal dollars and have federal requirements.

Once again, WEDA wants to thank the legislature for their efforts in expanding Wisconsin's economic development tools that can be used by our local, county and regional economic development professionals.

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Amendment to SB 515

At the locations indicated, amend the bill as follows:

Page 3, line 12:

238.137 Regional revolving loan fund program. (1) In this section, “~~regional economic development organization~~ region” means the group of counties served by the following economic development organizations each of the following:

- (a) Prosperity Southwest Wisconsin.
- (b) Madison Region Economic Partnership.
- (c) Milwaukee 7 Regional Economic Development Partnership.
- (d) The 7 River Alliance
- (e) Centergy, Inc.
- (f) New North, Inc.
- (g) Momentum West, Inc.
- (h) Grow North Regional Economic Development Corporation.
- (i) Visions Northwest Regional Economic Development Group.

Page 4, line 1:

(b) From the appropriation under s. 20.192 (1) (am), the corporation shall award a grant to a ~~each regional economic development organization~~ in each economic development region that satisfies all of the following conditions:

Page 5, line 18, after that line insert:

(e) A regional economic development organization receiving a grant under par. (b) shall not expend more than 5 percent of the grant for costs incurred for administration of the program under this section.