

Challenge Partnership Loan Fund Options

W.S. 9-12-301

Wyoming Business Council report to the
Joint Minerals, Business and Economic Development Committee.
Aug. 13, 2021

SUMMARY

The Wyoming Business Council (WBC) regularly works with banks and financial institutions around the State of Wyoming; the goal of these proposed changes is to allow easier, more streamlined access to capital in partnership with these financial institutions. Some programs have been heavily utilized and others have never been utilized. The proposals below help adjust to the given market conditions in the State and the financial industry in serving businesses that may struggle to have access to capital. Also, there are proposals to allow easier access for Wyoming economic development organizations (EDOs).

BUSINESS RECRUITMENT AND EXPANSION

- **Challenge Loan Program**
- Description: This loan program is currently designed to be a 50/50 match with a local EDO to help the EDO have a revenue-generating project for future cash flow. ***The WBC proposes changing this partnership from 50/50 to 80/20 (WBC/EDO), with a maximum loan amount from the WBC at \$1,000,000.***
- Customer Group Served: Wyoming economic development organizations.
- Benefits to Customer:
 - This will empower local EDOs to choose projects that may fit their local economy better.
 - The 20% down shows there is local “buy-in” on the project.
 - The new structure allows more EDOs to take advantage of program.
 - Only a handful of EDOs would be able to do a project under the current 50/50 structure (Cheyenne LEADS, Advance Casper and Forward Cody).
 - Due to the legal structure of many of these EDOs (non-profits – 501(c)(6) or (3)), financial institutions do not like to lend to these borrowers as there are typically no personal or corporate guarantees.
- Benefits to State:
 - Increased sales and property tax revenue.
 - Increased GDP.
 - Regional, national and global state-brand awareness.
 - Potential to bolster Wyoming supply chain opportunities, or develop supply chain recruitment, and grow industry clusters.
 - Opportunity to add value to core industries and activate new sectors (economic diversification).
- How it Executes the State Economic Development Strategic Plan:
 - Could recruit companies and offices or expand existing businesses that employ workforce in core or new sectors.
 - Transform disruption into new economic opportunity.
 - Develop a culture of innovation that attracts transforming companies and people to Wyoming.

- Market Wyoming's knowledge, creative and advanced manufacturing economy.
 - Recruit companies in new sectors.
 - Develop services that clearly meet the needs of business, industry and partners.
- Risks/Constraints:
 - No guarantee a business will succeed.
- **Bridge Loan/Guaranteed Loan Participation Program(s)**
- Description: This loan program is currently designed to be a bank participation of either 35% (Bridge) or 50% (Guaranteed Loan Participation) of project cost with a local financial institution. The current maximum participation amounts are \$1,000,000 (Bridge) and \$2,000,000 (Guaranteed Loan Participation) for a project. ***The WBC proposes the following changes:***
 - ***Consolidation of these two programs into one program renamed the 50/50 program.***
 - ***Increase maximum participation of the WBC in any project to \$2,500,000.***
 - ***The WBC would be able to participate for the life of loan at the proposed interest rate.***
- Customer Group Served: Wyoming financial institutions and Wyoming businesses.
- Benefits to Customer:
 - Allow access to capital and risk-sharing between WBC and financial institution.
 - Allow current and potential businesses access to capital.
 - Potential to expand offerings – both financial institution and Wyoming business.
- Benefits to State:
 - Opportunity for existing business growth and market expansion leading to increased employment.
 - Increased sales and property tax revenue.
 - Increased GDP.
 - Expands an incentive program for existing Wyoming businesses.
 - Potential for regional, national and global state brand awareness.
 - Opportunity to bolster Wyoming supply chain opportunities, or develop supply chain recruitment, and grow industry clusters.
- How it Executes the State Economic Development Strategic Plan:
 - Potential to drive innovation to create new markets for Wyoming extracted and grown goods.
 - Potential to increase access to domestic and international export markets for core industries.
 - Help existing and startup businesses to expand and/or offer different products/services.
- Risks/Constraints:
 - No guarantee a business will succeed.
 - Business environment requires agility; government responses require due diligence and calculated risk, but these are businesses known to the local financial institution and their financial information would be vetted by individuals with banking expertise at the financial institution *AND* the WBC.
- **Loan Guarantee Program**
- Description: This loan program was created several years ago and has never been utilized. The idea is that the State of Wyoming would guarantee loans made by

Wyoming financial institutions and provide an 80% loss recovery tool to the financial institution. ***The WBC proposes the program be repealed/deleted/etc. W.S. 9-12-301(a)(viii), as this service is provided by two (2) federal agencies, and their market area covers Wyoming in its entirety.***

- Risks/Constraints:
 - The existence of this program may increase the amount of “risk” local financial institutions are willing to tolerate if they know that there is an 80% guarantee tool from the State of Wyoming.
 - This service already exists in both the Small Business Administration (SBA) and the United States Department of Agriculture (USDA), which offer loan guarantee products to financial institutions for loans made utilizing their programs. This program is viewed as duplicative of federal programs already offered and ones that have proven track records. This track record provides a valid reason for the under-utilization of the program at the State level.

- **Natural Gas Infrastructure Loan Program**
- Description: This loan program is currently designed to help finance the installation of natural gas fueling station infrastructure. It has been utilized once since its inception. ***The WBC proposes the following changes:***
 - ***Expand the program to include electric and hydrogen fueling station infrastructure.***
 - ***Require a financial institution participation like other Challenge Loan Programs.***
 - ***Maximum participation would mirror 50/50 program at \$2,500,000.***
 - ***Minimum interest rate would be 4%.***
 - ***The WBC would be able to participate for the life of loan at the proposed interest rate.***
- Customer Group Served: Wyoming financial institutions and Wyoming businesses.
- Benefits to Customer:
 - Allow access to capital and risk-sharing between WBC and financial institution.
 - Allow current and potential businesses access to capital.
 - Potential to expand offerings – both financial institution and Wyoming businesses.
- Benefits to State:
 - Opportunity for existing business growth and market expansion leading to increased employment.
 - Increased sales and property tax revenue.
 - Increased GDP.
 - Expands an incentive program for existing Wyoming businesses.
 - Potential for regional, national and global state brand awareness.
 - Opportunity to bolster Wyoming supply chain opportunities, or develop supply chain recruitment, and grow industry clusters.
- How it Executes the State Economic Development Strategic Plan:
 - Potential to drive innovation to create new markets for Wyoming extracted and grown goods.
 - Potential to increase access to domestic and international export markets for core industries.

- Help existing and startup businesses to expand and/or offer different products/services.
- Risks/Constraints:
 - No guarantee a business will succeed.
 - Business environment requires agility; government responses require due diligence and calculated risk, but these businesses are known to the local financial institution and their financial information would be vetted by individuals with banking expertise at the financial institution AND the WBC.
- **Business Succession Loan Program (NEW)**
- Description: This loan program would allow for the succession of a business from one owner to another. This market is currently underserved (or not served) because of federal regulations in the financial industry. ***The WBC proposes the following changes:***
 - ***Maximum of \$5,000,000 for these types of loans.***
 - ***Existing business must be in business for 7+ years.***
 - ***Participation from local financial institution.***
 - ***Maximum WBC amount is \$250,000.***
 - ***Minimum interest rate would be 4%.***
 - ***1% loan fee payable to WBC.***
 - ***Maturity would match financial institution.***
 - ***The WBC would be able to participate for the life of loan at the proposed interest rate.***
- Customer Group Served: Wyoming financial Institutions and Wyoming businesses.
- Benefits to Customer:
 - Allow access to capital and risk-sharing between WBC and financial institution.
 - Allow current and potential businesses access to capital.
 - Potential to expand offerings – both financial institution and Wyoming business.
 - Allows businesses to maintain a presence in communities and to foster additional business and economic activity.
- Benefits to State:
 - Opportunity for existing business growth and market expansion/maintenance leading to increased or maintained employment in a community.
 - Increased or maintained sales and property tax revenue.
 - Increased or maintained GDP.
 - Potential for regional, national and global state brand awareness.
 - Opportunity to bolster/maintain Wyoming supply chain opportunities, or develop supply chain recruitment, and grow industry clusters.
- How it Executes the State Economic Development Strategic Plan:
 - Potential to drive innovation to create new markets for Wyoming extracted and grown goods.
 - Potential to increase/maintain access to domestic and international export markets for core industries.
 - Help existing businesses maintain a presence in their respective communities as an employer.
- Risks/Constraints:
 - No guarantee a business will succeed.
 - The vast majority of these businesses are purchase by someone who has worked at the business for a number of years and knows the “ins and outs” of

the business. The bank cannot finance “blue sky” and would need the State to assume this risk. The bank could have the secured portion of the loan and the WBC would participate with the financial institution to help keep a business going and prevent it from closing and the community losing those associated jobs.

- Business environment requires agility; government responses require due diligence and calculated risk, but these businesses are known to the local financial institution and their financial information would be vetted by individuals with banking expertise at the financial institution AND the WBC.