



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-2138/1
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2023 SENATE BILL 878

January 5, 2024 - Introduced by Senators TESTIN, FELZKOWSKI and FEYEN, cosponsored by Representatives WITKE, ZIMMERMAN, DITTRICH, DUCHOW, MOSES, O'CONNOR, PENTERMAN and RETTINGER. Referred to Committee on Economic Development and Technical Colleges.

1 **AN ACT** *to repeal* 16.295 (4) (a) 2. and 16.295 (6) (b); *to consolidate, renumber*
2 *and amend* 16.295 (4) (a) (intro.) and 1.; *to amend* 16.295 (5) (c) 3., 16.295 (5)
3 (d) 1., 16.295 (5) (d) 4., 16.295 (6) (a), 16.295 (7) (a) 2., 16.295 (7) (a) 3. (intro.),
4 16.295 (7) (a) 3. b., 16.295 (7) (a) 3. d., 16.295 (7) (a) 4. (intro.), 16.295 (7) (a) 4.
5 f., 16.295 (7) (c) 1., 16.295 (7) (c) 2., 16.295 (7) (c) 3. and 16.295 (8) (intro.); *to*
6 *repeal and recreate* 16.295 (6) (c); and *to create* 16.295 (6) (d) of the statutes;
7 **relating to:** fund of funds investment program.

Analysis by the Legislative Reference Bureau

This bill requires the investment manager of the Badger fund of funds to do all of the following: 1) hold in escrow gross proceeds from its investments of \$25,000,000 received in fiscal year 2013-14 and its investments of \$25,000,000 received in fiscal year 2023-24 until the manager has allocated 90 percent of the gross proceeds to investments in venture capital funds headquartered in this state; and 2) provide a progress report no later than March 1, 2024, to the joint committee on finance.

This bill also provides that the investment manager's management fee may not exceed 1 percent of the sum of the following: the \$25,000,000 received by the investment manager from the state in fiscal year 2013-14 and the first \$5,000,000 raised from other sources; the \$25,000,000 received by the investment manager from the state in fiscal year 2023-24; and any amounts reinvested by the Badger fund of funds through the proceeds of its prior investments.

SENATE BILL 878

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 16.295 (4) (a) (intro.) and 1. of the statutes, as affected by 2023
2 Wisconsin Act 19, are consolidated, renumbered 16.295 (4) (a) and amended to read:

3 16.295 (4) (a) Subject to sub. (3), the department shall contract with the
4 investment manager. The contract shall establish the investment manager's
5 compensation, including any management fee. Any management fee may not exceed
6 ~~the following: 1. Annually, for no more than 4 years, on an annual basis, 1 percent~~
7 ~~of the total moneys designated under sub. (5) (b) 1. and 4., raised under sub. (5) (b)~~
8 ~~3., and reinvested under sub. (6) (c).~~

9 **SECTION 2.** 16.295 (4) (a) 2. of the statutes, as created by 2023 Wisconsin Act
10 19, is repealed.

11 **SECTION 3.** 16.295 (5) (c) 3. of the statutes, as created by 2023 Wisconsin Act
12 19, is amended to read:

13 16.295 (5) (c) 3. Of the moneys designated under par. (b) 4., the investment
14 manager shall commit all of those moneys to at least 4 investments in venture capital
15 funds headquartered in this state within 24 months after the date the investment
16 manager receives the moneys.

17 **SECTION 4.** 16.295 (5) (d) 1. of the statutes, as affected by 2023 Wisconsin Act
18 19, is amended to read:

19 16.295 (5) (d) 1. Make new investments in an amount equal to the moneys it
20 receives under par. (b) in one or more businesses that are headquartered in this state
21 and employ at least 50 percent of their full-time employees, including any subsidiary

SENATE BILL 878

1 or other affiliated entity, in this state, and invest at least one-half of those moneys
2 in one or more businesses that employ fewer than 150 full-time employees, including
3 any subsidiary or other affiliated entity, when the venture capital fund first invests
4 moneys in the business under this section. The venture capital fund's contract with
5 a business in which the venture capital fund makes an investment under this
6 subdivision shall require that, if within 3 years after the venture capital fund makes
7 ~~that~~ its initial investment, the business relocates its headquarters outside of this
8 state or fails to employ at least 50 percent of its full-time employees, including any
9 subsidiary or other affiliated entity, in this state, the business shall promptly pay to
10 the venture capital fund an amount equal to the total amount of moneys designated
11 under par. (b) 1. and 4. that the venture capital fund invested in the business. The
12 venture capital fund shall reinvest those moneys in one or more businesses that are
13 eligible to receive an investment under this subdivision, subject to the requirements
14 of this section.

15 **SECTION 5.** 16.295 (5) (d) 4. of the statutes is amended to read:

16 16.295 (5) (d) 4. ~~At least match~~ Ensure that any moneys it receives under par.
17 (b) and invests in a business is accompanied with an investment in that business of
18 moneys the venture capital fund has raised from sources other than the investment
19 manager. ~~The investment manager~~ venture capital fund shall ensure that, on
20 average, ~~for every \$1 a venture capital fund receives under par. (b) and invests in a~~
21 ~~business, the venture capital fund invests \$2 in that business from sources other~~
22 ~~than the investment manager~~ when measured across all individual businesses
23 receiving moneys under this paragraph, the venture capital fund at least matches
24 any moneys it receives under par. (b) with investments in such businesses the
25 venture capital fund has raised from sources other than the investment manager.

SENATE BILL 878**SECTION 6**

1 **SECTION 6.** 16.295 (6) (a) of the statutes is amended to read:

2 16.295 (6) (a) The investment manager shall hold in an escrow account at a
3 bank with its headquarters in this state its gross proceeds from all investments of
4 the moneys designated under sub. (5) (b) 1. and 4. until the investment manager
5 satisfies allocates the proceeds as provided in par. ~~(b)~~ (c).

6 **SECTION 7.** 16.295 (6) (b) of the statutes is repealed.

7 **SECTION 8.** 16.295 (6) (c) of the statutes is repealed and recreated to read:

8 16.295 (6) (c) Within 24 months after receiving any proceeds from the
9 investment of the moneys designated under sub. (5) (b) 1. and 4., the investment
10 manager shall commit 90 percent of the gross proceeds to investments in venture
11 capital funds headquartered in this state.

12 **SECTION 9.** 16.295 (6) (d) of the statutes is created to read:

13 16.295 (6) (d) 1. The investment manager shall ensure that the gross proceeds
14 resulting from investments made with moneys designated under sub. (5) (b) 1. and
15 4. are reinvested so that when averaged across all venture capital fund recipients,
16 for every \$1 of moneys reinvested as set forth in par. (c), venture capital fund
17 recipients must receive \$2 from sources other than the investment manager. Any
18 individual business that receives an investment made by the investment manager
19 under par. (c) is required to receive additional investments made by sources other
20 than the investment manager.

21 2. The investment manager shall contract with each venture capital fund that
22 receives moneys under par. (c). Each contract shall require the venture capital fund
23 to:

24 a. Make new investments in an amount equal to the moneys it receives under
25 par. (c) in one or more businesses that are headquartered in this state and employ

SENATE BILL 878

1 at least 50 percent of their full-time employees, including any subsidiary or other
2 affiliated entity, in this state, and invest at least one-half of those moneys in one or
3 more businesses that employ fewer than 150 full-time employees, including any
4 subsidiary or other affiliated entity, when the venture capital fund makes its initial
5 investment of moneys in the business under this section. The venture capital fund's
6 contract with a business in which the venture capital fund makes an investment
7 under this subsection shall require that, if within 3 years after the venture capital
8 fund makes its initial investment, the business relocates its headquarters outside of
9 this state or fails to employ at least 50 percent of its full-time employees, including
10 any subsidiary or other affiliated entity, in this state, the business shall promptly pay
11 to the venture capital fund an amount equal to the total amount of moneys
12 designated under par. (c) that the venture capital fund invested in the business. The
13 venture capital fund shall reinvest those moneys in one or more businesses that are
14 eligible to receive an investment under this subdivision, subject to the requirements
15 of this section.

16 b. Invest all of the moneys it receives under par. (c) in businesses in the
17 agriculture, information technology, engineered products, advanced manufacturing,
18 medical devices, or medical imaging industry and attempt to ensure that all those
19 moneys are invested in businesses that are diverse with respect to geographic
20 location within this state.

21 c. Provide to the investment manager the information necessary for the
22 investment manager to complete the annual report under sub. (7) (a) and the
23 quarterly report under sub. (7) (c).

24 d. Disclose to the investment manager and the department any interest that
25 the venture capital fund or an owner, stockholder, partner, officer, director, member,

SENATE BILL 878**SECTION 9**

1 employee, or agent of the venture capital fund holds in a business in which the
2 venture capital fund invests or intends to invest moneys received under par. (c).

3 **SECTION 10.** 16.295 (7) (a) 2. of the statutes is amended to read:

4 16.295 (7) (a) 2. The investment manager's internal rate of return from
5 investments under ~~sub.~~ subs. (5) (b) and (6) (c).

6 **SECTION 11.** 16.295 (7) (a) 3. (intro.) of the statutes is amended to read:

7 16.295 (7) (a) 3. (intro.) For each venture capital fund that contracts with the
8 investment manager under sub. (5) (d) or (6) (d), all of the following:

9 **SECTION 12.** 16.295 (7) (a) 3. b. of the statutes is amended to read:

10 16.295 (7) (a) 3. b. The amounts invested in the venture capital fund under ~~sub.~~
11 subs. (5) (b) and (6) (c).

12 **SECTION 13.** 16.295 (7) (a) 3. d. of the statutes is amended to read:

13 16.295 (7) (a) 3. d. The venture capital fund's average internal rate of return
14 on its investments of the moneys it received under sub. (5) (b) or (6) (c).

15 **SECTION 14.** 16.295 (7) (a) 4. (intro.) of the statutes is amended to read:

16 16.295 (7) (a) 4. (intro.) For each business in which a venture capital fund held
17 an investment of moneys the venture capital fund received under sub. (5) (b) or (6)
18 (c), all of the following:

19 **SECTION 15.** 16.295 (7) (a) 4. f. of the statutes is amended to read:

20 16.295 (7) (a) 4. f. A statement of the number of employees the business
21 employed when the venture capital fund first invested moneys in the business that
22 the venture capital fund received under sub. (5) (b) or (6) (c), the number of employees
23 the business employed on the first day of the investment manager's fiscal year, and
24 the number of employees the business employed on the last day of the investment
25 manager's fiscal year.

