



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-1131/P4  
EKL:cdc&klm

DOA:.....Quinn, BB0396 - WEDC venture capital program

**FOR 2021-2023 BUDGET -- NOT READY FOR INTRODUCTION**

**AN ACT ...; relating to:** the budget.

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*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**  
**ECONOMIC DEVELOPMENT**

***WEDC venture capital fund of funds program***

This bill directs WEDC to establish and administer a fund of funds program to invest in venture capital funds that invest in Wisconsin businesses. The bill requires WEDC to create a fund of funds that will continuously reinvest its assets and to create an oversight board whose duties include contracting with an investment manager.

The bill directs the oversight board to establish investment policies for the program. Under the bill, the program's moneys must be committed for investment to venture capital funds no later than 60 months after the fund of funds is created and no more than \$25,000,000 may be invested in any single venture capital fund. The bill requires that at least 20 percent of the investments made through the program be directed to businesses located in parts of the state that typically do not receive significant venture capital fund investment, minority-owned businesses, and women-owned businesses. The bill prohibits any investment in lobbying and law firms.

Under the bill, the investment manager must contract with each venture capital fund that receives moneys through the program. The contract must require the venture capital fund to do all of the following:

1. Make new investments in an amount equal to the moneys it receives through the program in businesses who are headquartered, and whose operations are primarily, in Wisconsin.

2. At least match the amount it receives through the program and invests in a business with an investment in that same business of moneys from sources other than the program. The investment manager must ensure that, on average, for every \$1 a venture capital fund receives through the program and invests in a business, the venture capital fund invests \$2 in that business from sources other than the program.

3. Provide the investment manager with the information necessary to complete the reports described below.

The bill requires the investment manager to annually submit to WEDC an audit of the investment manager's financial statements, the rate of return from investments made through the program, and information on each venture capital fund participating in the program and business in which investment were made. WEDC must submit this information to the legislature. The bill also requires the investment manager to submit quarterly reports to the oversight board.

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

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

**SECTION 1.** 20.192 (1) (c) of the statutes is created to read:

20.192 (1) (c) *Venture capital fund of funds program.* As a continuing appropriation, the amounts in the schedule to meet the financial needs of the venture capital fund of funds program established under s. 238.145 (2), including management fees and the amounts necessary to make investments through the program.

\*\*\*\*NOTE: This SECTION involves a change in an appropriation that must be reflected in the revised schedule in s. 20.005, stats.

**SECTION 2.** 238.145 of the statutes is created to read:

**238.145 Venture capital fund of funds program. (1) DEFINITIONS.** In this section:

(a) "Investment manager" means the person with whom the oversight board enters into a contract under sub. (4).

(b) "Oversight board" means the oversight board created under sub. (2) (c).

**(2) ESTABLISHMENT OF PROGRAM.** The corporation shall establish and administer a fund of funds program to invest moneys in venture capital funds that invest in businesses located in this state, subject to the requirements of this section. In establishing the program, the corporation shall do all of the following:

(a) Create a fund of funds.

(b) Provide that the fund of funds will continuously reinvest its assets.

(c) Create an oversight board to conduct any activity as required by this section or as directed by the corporation.

**(3) INVESTMENTS IN VENTURE CAPITAL FUNDS.** (a) The investment manager shall request from the corporation monies to make investments through the program established under sub. (2) and to pay the investment manager's management fee, and the corporation shall, subject to the approval of the secretary of the department of administration, pay the monies to the investment manager from the appropriation under s. 20.192 (1) (c).

(b) The oversight board shall establish investment policies for the program established under sub. (2), subject to all of the following conditions:

1. All moneys paid to the investment manager under par. (a) to make investments shall be committed for investment to venture capital funds, subject to the requirements of this section, no later than 60 months after the creation of the fund of funds under sub. (2) (a).

2. No more than \$25,000,000 of the total moneys paid to the investment manager under par. (a) to make investments may be invested in any single venture capital fund.

3. At least 20 percent of the investments made through the program shall be directed to any combination of the following:

a. Businesses located in parts of this state that typically do not receive significant investment from venture capital funds.

b. Businesses that are at least 51 percent owned by one or more members of a racial minority group and the management and daily business operations of which are controlled by one or more members of a racial minority group.

c. Businesses that are at least 51 percent owned by one or more women and the management and daily business operations of which are controlled by one or more women.

(c) No investment may be made through the program in a lobbying or law firm.

**(4) INVESTMENT MANAGER.** The oversight board shall contract with an investment manager who meets the qualifications established by the corporation. The contract shall establish the investment manager's compensation, including any management fee. A management fee may not annually exceed 1 percent of the total assets under management in the program established under sub. (2).

**(5) VENTURE CAPITAL FUND REQUIREMENTS.** The investment manager shall contract with each venture capital fund that receives moneys through the program established under sub. (2). Each contract shall require the venture capital fund to do all of the following:

(a) Make new investments in an amount equal to the amount of moneys it receives through the program in one or more businesses who are headquartered in this state and whose operations are primarily in this state.

(b) At least match any moneys it receives through the program and invests in a business described in par. (a) with an investment in that business of moneys the

venture capital fund has raised from sources other than the program. The investment manager shall ensure that, on average, for every \$1 a venture capital fund receives through the program and invests in a business described in par. (a), the venture capital fund invests \$2 in that business from sources other than the program.

(c) Provide to the investment manager the information necessary for the investment manager to complete the reports under sub. (6) (a) and (c).

**(6) REPORTS OF THE INVESTMENT MANAGER; PUBLIC DISCLOSURES.** (a) Annually, no later than 120 days after the end of the investment manager's fiscal year, the investment manager shall submit to the corporation a report for that fiscal year that includes all of the following:

1. An audit of the investment manager's financial statements performed by an independent certified public accountant.

2. The investment manager's internal rate of return from investments made through the program established under sub. (2).

3. For each venture capital fund that contracts with the investment manager under sub. (5), all of the following:

a. The name and address of the venture capital fund.

b. The amounts invested in the venture capital fund through the program established under sub. (2).

c. An accounting of any fee the venture capital fund paid to itself or any principal or manager of the venture capital fund.

d. The venture capital fund's average internal rate of return on its investments of the moneys it received through the program established under sub. (2).

4. For each business in which a venture capital fund held an investment of moneys received through the program established under sub. (2), all of the following:

a. The name and address of the business.

b. A description of the nature of the business.

c. The identification of the venture capital fund.

d. The amount of the investment and the amount invested by the venture capital fund from funding sources other than the program.

e. The internal rate of return realized by the venture capital fund upon the venture capital fund's exit from the investment in the business.

f. A statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program and the number of employees the business employed on the first day and last day of the investment manager's fiscal year.

(b) No later than 10 days after it receives the investment manager's report under par. (a), the corporation shall submit the report to the chief clerk of each house of the legislature, for distribution to the legislature under s. 13.172 (2).

(c) Quarterly, the investment manager shall submit to the oversight board a report for the preceding quarter that includes all of the following:

1. An identification of each venture capital fund under contract with the investment manager under sub. (5).

2. An identification of each business in which a venture capital fund held an investment of moneys received through the program established under sub. (2) and a statement of the amount of the investment in each business.

3. A statement of the number of employees the business employed when the venture capital fund first invested moneys received through the program established

under sub. (2) and the number of employees the business employed on the last day of the quarter.

(d) The oversight board shall make the reports under par. (c) readily accessible to the public on the corporation's Internet site.

**(7) POLICIES AND PROCEDURES.** The corporation shall establish policies and procedures to administer this section.

**(END)**