

1973 Senate Bill 579

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CHAPTER 108 , Laws of 1973

AN ACT to amend 219.08; and to create 20.135 (1) (x) and 560.06 of the statutes, relating to the establishment of a small business investment company fund to be administered by the department of business development, and making an appropriation.

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

SECTION 1. Statement of policy. It is declared to be the policy of this state to improve and stimulate the state's economy in general and the small business segment thereof in particular by supporting the national policy embodied in the federal small business investment act of 1958, as amended, by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small business concerns of this state need for the sound financing of their business operations and for their growth, expansion and modernization. It is the intent of the legislature that this policy be carried out in such manner as to ensure the maximum participation of private financing sources.

SECTION 2. 20.135 (1) (x) of the statutes is created to read:

20.135 (1) (x) *SBIC fund.* All moneys received in the small business investment company fund, for the purposes of s. 560.06.

SECTION 3. 219.08 of the statutes is amended to read:

219.08 Investments in development companies. A state bank is authorized to invest not to exceed in the aggregate ~~one per cent~~ 5% of its capital and surplus in shares of Wisconsin development credit corporation and shares of small business investment companies located in Wisconsin.

SECTION 4. 560.06 of the statutes is created to read:

560.06 Small business investment company assistance. (1) ADMINISTRATION. (a) This section shall be administered by the department with the advice of the council on small business investment companies.

(b) Debentures of small business investment companies purchased by the state shall be subordinate to any other debenture bonds, promissory notes, or other debts and obligations of such small business investment companies except for those purchased by the small business administration in accordance with the federal small business investment act of 1958, as amended.

(2) FUND CREATION. There is created the small business investment company fund. The purposes of the fund shall be to assist, promote, encourage, develop and advance the general prosperity and economic welfare of the people of this state and to

improve their standard of living and to improve employment opportunities in the state by purchasing, either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate basis, of the debentures of small business investment companies; and to advance thereby the development of small business enterprises throughout the state as these are defined under the federal small business investment act of 1958. In carrying out such purposes and in exercising the powers granted by this section, the department shall be regarded as performing an essential governmental function.

(3) **CONDITIONS ON LOANS.** Any loans by the state to a small business investment company shall be conditioned on the following:

(a) A loan shall not exceed the amount of the outstanding portfolio investments in Wisconsin firms of the small business investment company or the amount of its private paid-in capital and paid-in surplus, whichever is less.

(b) The small business investment company must agree that the entire loan will be invested in Wisconsin firms.

(c) The repayment period for any such loan shall not exceed 15 years.

(d) The interest rate charged on such loans shall not be in excess of 2% higher than the percentage on the last bond issue by the state. Such interest rates shall be reasonable to the ultimate borrower and not at the going market rate.

(e) The purpose of these loans to a small business investment company is to help earn profits, create jobs, provide individual venture capital and add to the tax base. Because equal opportunity is profitable, the small business investment company must agree to make reasonable efforts to use the loan proceeds to provide individual funds to small business concerns which are at least 50% owned by one or more disadvantaged persons or which make at least reasonable efforts to hire and upgrade the disadvantaged. A "disadvantaged" person is a person whose participation in the free enterprise system is hampered either because of social and economic disadvantages or because he is a poor person who does not have suitable employment and who is either: 1) a school dropout; 2) under 22 years of age; 3) 45 years of age or over; 4) handicapped; or 5) subject to special obstacles to employment.

(f) Annual reports shall be submitted by the department to the senate committee on governmental and veteran affairs and to the assembly committee on state affairs for a review of progress in complying with the criteria specified in par. (e) and for their recommendation as to the continuance or discontinuance of the program by the state.

(4) **STATE AGENCY COOPERATION.** All state agencies shall cooperate with small business investment companies to the fullest extent, and all public institutions of higher education shall work with such companies to facilitate the utilization of technological information by small business in this state.

(5) **LEGAL INVESTMENTS.** Notwithstanding any other provision of law, notes or other obligations of small business investment companies shall be legal investments for banks, savings and loan associations, trust companies and insurance companies in this state.

(6) **APPLICATION FEE.** Any small business investment company wishing to participate under this section shall pay a \$500 fee annually on July 1 to the department which shall be deposited in the small business investment company fund. The annual fee paid on its initial application shall be prorated according to the date of application.

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SECTION 5. Transfer to SBIC fund. On the effective date of this act, there shall be transferred from the general fund to the small business investment company fund \$1,000 together with an amount equal to the unencumbered balance in the small business investment company fund as of June 30, 1973, for the purposes of section 560.06 of the statutes.
