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State needs daring measures to get new businesses up, running

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Wausau - Several bold initiatives were aired at an economic development forum here last week on the critical process of starting and sustaining new businesses in Wisconsin.

The clear consensus at the forum, "Building the New Wisconsin Economy," was that business start-ups are the cure for the state's ailing economy.

Enter Democratic Gov. Jim Doyle with his plan to inject \$300 million over 10 years into venture and seed capital. And enter Republican legislative leaders with a plan to give tax credits for making seed capital investments in new companies.

Roger Ganser, the veteran Madison venture capitalist, called the governor's proposal "extremely bold." The new money comes at a time when some venture funds in the state, including his Venture Investors LLC, are just about fully invested.

Seed capital

The governor's proposal calls for state government, the state's Patients Compensation Fund and the State of Wisconsin Investment Board to each pitch in \$10 million annually over the next 10 years.

Venture funding already benefited from SWIB's commitment of \$100 million to two new funds in Wisconsin, Baird Venture Partners and the Frazier Technology Fund, and from the \$50 million invested by insurance companies through the Wisconsin Certified Capital Companies, or CAPCO, program.

What's so important about the governor's proposal is that it covers not only venture funding under a new state authority but also seed money. Seed investment is the hard stuff for an entrepreneur to land - the initial dough that gets the prototype or business model up and running.

The money often comes from family and friends, and it's often not enough or just not available. Good business ideas go begging for lack of the initial \$5,000 to \$500,000.

The Republican idea would provide tax credits for seed investors, which could make Wisconsin a stand-out state for business start-ups.

Now, wouldn't that be a great reputation to have, given that small businesses account for almost all the net job growth in the country?

Incentive to stay

Terry Grosenheider, former deputy secretary of the Department of Financial Institutions and head of the Capital Formation Work Group for the Wisconsin Development Association, amplified that idea by calling for a 20% credit for angel investors on the first \$100,000 of seed money in a "qualified new business venture" and 10% on added investments.

Such a set of investing incentives might serve to offset the breaks in states like Florida, where some of my retired buddies flee for six months and a day each year for tax savings. It might convince them to stay here, make some angel investments and have the fun of helping an entrepreneur get a new business off the ground, instead of being bored to death on southern beaches and golf courses.

The Doyle seed fund would get part of the job done, and the tax credit would get the rest done by encouraging more individual investors to get in the start-up game.

"We need to get more boots on the ground," Grosenheider says.

Wisconsin ranks a shockingly low 41st in per-capita wealth, partly because of retirees moving out with their assets and compounded by their investing elsewhere.

Ganser was pumped by the new capital formation proposals because it fills the long missing link in the entrepreneurial package. "I don't think we have a shortage of entrepreneurial ideas," he added.

If we get all this right, with some time, we might catch Minnesota for wealth. Twenty years ago the two states were about even. Now Minnesota is at 108% of the U.S. average for per capita income, and we are three or four points below.

Now that's not right.

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