



JAMES W. EDMING

STATE REPRESENTATIVE • 87TH ASSEMBLY DISTRICT

Testimony in Support of Assembly Bill 498
Assembly Committee on Small Business Development
December 19, 2017

Thank you, Mr. Chairman and committee members for holding this public hearing today and giving me the opportunity to speak to you in support of Assembly Bill (AB) 498. I would like to thank Senator Testin for working with me on this important legislation.

Over the past several years, Wisconsin's business climate has improved significantly. However, one area where we continue to struggle is in the area of small business startups. Earlier this year, the Milwaukee Journal Sentinel reported that Wisconsin ranked last in business startup activity for the third year in a row, according to a report from the Ewing Marion Kauffman Foundation. Small, homegrown businesses are vital to the economy of our state. For the economic health of our state to remain strong, it is essential that we find new ways to attract and retain young entrepreneurs. All too often, young entrepreneurs who graduate from our state's colleges and universities leave Wisconsin once they graduate for better opportunities. AB 498 seeks to change that by removing a barrier to entrepreneurship and incentivizing student entrepreneurs to start a business right here in Wisconsin.

AB 498 exempts students enrolled in a post-secondary institution in Wisconsin from paying the initial \$130 filing fee for forming a limited liability company (LLC). To qualify for this exemption, all members of the LLC must be enrolled in a post-secondary institution in Wisconsin and the LLC being formed must be a business startup.

Starting a business requires capital which students often lack. The filing fee exemption provided by this legislation would free up these funds for investment in the LLC itself thus providing more resources for these young entrepreneurs to get their small business off the ground. While this exemption is not a game changer, it is a strong step in the right direction to improving entrepreneurship in our state.

After the introduction of this bill, a concern was raised regarding the applicability of this exemption to a minor high school student who is dual enrolled in college, as under common law a minor generally lacks the capacity to enter into a contract. We have introduced a simple amendment that addresses the concern by clarifying that this exemption would only apply to students who are at least 18 years of age.

Mr. Chairman and members, I ask for your support of AB 498 and thank you again for the opportunity to testify before you today.

Good Afternoon Chairman Tauchen and Members of the Assembly Committee on Small Business Development. Thank you for your service to the State of Wisconsin and for the opportunity to testify in favor of AB 498 today.

In my remarks I will share with you a bit about my background, some statistics on student entrepreneurship at UW-Madison, and why AB 498 is helpful to student entrepreneurship in Wisconsin.

I am the Executive Director of the Weinert Center for Entrepreneurship and I am the Robert Pricer Professor in Enterprise Development at UW- Madison. My area of expertise is entrepreneurship. I am the research editor at the Entrepreneur and Innovation Exchange and I publish regularly in my field. I hold a B.S. in Economics from the Pennsylvania State University and a Ph.D. in Business from the University of Maryland. I served on active duty in the United States Army. I have worked in the private sector in finance and consulting. I am a cofounder of gener8tor, a business accelerator started in the State of Wisconsin in 2012. To date gener8tor has financed over 60 companies that employ over 1,000 individuals.

I have been the Executive Director for the Weinert Center for Entrepreneurship at the University since 2011. During this period UW-Madison has invested heavily to expand access to entrepreneurship courses. Here are a few statistics. Enrollment in for credit entrepreneurship courses offered by the Wisconsin School of Business has grown from 400 annually to over 1,600 students annually. Over 60 graduate students and PostDocs in STEM fields complete the Morgridge Entrepreneurship Bootcamp annually. Over 50 students live and learn in our Entrepreneurship Residence Learning Community. Twenty to forty students attend our weekly Distinguished Entrepreneurship Lunch anchored by an experienced entrepreneur, investor, or service provider. Over 500 students attend our annual celebration of entrepreneurship through the Wisconsin Entrepreneurship Showcase. Hundreds of students compete in business competitions on our campus each year.

Our entrepreneurship courses have long had a tradition of being rigorous and relevant. Students study and conduct entrepreneurship as part of their coursework. For example, many students get a first taste of what it is like to earn money from their own creative efforts in our introductory entrepreneurship course—which requires students to sell t-shirts of their own design. In our Weinert Applied Ventures in Entrepreneurship and Venture Creation Classes, students study entrepreneurship by building companies.

Our courses train our students in financial responsibility, career development, and the relentless pursuit of opportunity. These students are learning how to create jobs for themselves and others.

None of this is possible without the support of our alumni, friends and our key partners including the Wisconsin Alumni Research Foundation, the Richard Schulze Family Foundation, the Ewing Marion Kauffman Foundation, and the citizens of the State of Wisconsin .

To my knowledge we are the only University in the United States that is collecting detailed statistics on the entrepreneurship activities and aspirations of our students. Here is what we know from our 2016-17 data collection effort:

- At least 148 students are currently a founder of an operating company. This number may be as high as 750 students.
- Over 390 students plan to start a company within 24 months
- Over 2,000 students have an idea for a product or a service
- Over 1,700 students would like to join a team of individuals who are in the process of starting a company.

This is an immense amount of entrepreneurial activity. Our 2017-18 collection is currently underway.

It is important to know that student startups are not necessarily mundane affairs. One of the largest employers in the Madison, Wisconsin metropolitan area was founded by Judy Faulkner after she took a course, computers-in-medicine, at the University of Wisconsin. EatStreet, which currently employs over 1,000 people, was started in 2009 by then University of Wisconsin students Eric Martell, Matt Howard, and Alex Wyler.

Student-entrepreneurs are found in all of the schools and colleges on the University of Wisconsin Campus. At least half of our student-entrepreneurs are enrolled in programs that are not classified by the Department of Education as STEM fields. The CEO of EatStreet, Matt Howard, is not an engineer. He majored in Economics and Political Science.

Assembly Bill 498 has the potential to greatly enhance our ability to train entrepreneurs and foster entrepreneurship on our campus. This is because students learn to build great companies by studying entrepreneurship and doing entrepreneurship. Assembly Bill 498 helps to remove a barrier that makes it harder for our students to learn from experience. While a filing fee of \$130 may seem modest in the eyes of us, to a student \$130 is a real obstacle—especially when the student is quite unsure of their own capabilities as an entrepreneur.

Assembly Bill 498 is an important step and I strongly encourage you to vote in favor of the bill..

Thank you Representative Edming and Senator Testin for introducing this legislation. I am happy to answer any questions that the committee may have regarding my experience and my testimony.

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Assembly Bill 498 Testimony: Jacob Smith, UW-Madison

Chairman Tauchen and Members of the Assembly Committee on Small Business Development,

Thank you for the opportunity to testify today in support of Assembly Bill 498. My name is Jake Smith and I am an MBA candidate at the University of Wisconsin-Madison. I am originally from Nashotah, WI. I graduated from UW-Madison with an undergraduate degree in biochemistry, specializing in Global Health. I have two years of experience in the financial industry, working as a mortgage banker and at gener8tor, a local startup accelerator. Currently, I am a second year MBA student, pursuing my MBA in corporate finance, investment banking, and completing a fellowship in entrepreneurship. I am also co-president of the Entrepreneurship Association here on campus. We are a club built around encouraging and nurturing entrepreneurial ideas and spirit. We learn from each other, local and national entrepreneurs, and create connections with other entrepreneurial and technical clubs on campus. Our goal is to engage and empower students, allowing them to get exposure and get involved in Madison's entrepreneurial community.

Assembly Bill 498 would exempt student entrepreneurs like me from the initial filing fee for the articles of organization to form an LLC. While this may seem like a small change, the initial filing fee can be another financial challenge or hurdle toward successfully establishing an LLC, especially for students. I've seen this first hand as President of the Entrepreneurship Association and at my role at gener8tor. On top of balancing tuition payments and other financial obligations, student entrepreneurs are often investing in their LLCs to get them off the ground. Exempting students from the filing fee could eliminate another item in their budget that could be used towards the operation of the LLC. It is great to see that legislators want to have a conversation about what the state can do to help student entrepreneurs grow their businesses in Wisconsin.

I would like to thank Representative Edming and Senator Testin for introducing this legislation that will make a difference across the state for students like me. At this time, I am happy to answer any questions that the committee may have regarding my experience and my testimony.

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