

TECHNOLOGY COMMERCIALIZATION AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

LONG TITLE**General Description:**

This bill enacts provisions relating to technology commercialization.

Highlighted Provisions:

This bill:

- ▶ enacts the Utah Innovation Lab Act;
- ▶ defines terms;
- ▶ creates the Utah Innovation Lab (innovation lab) and provides for the innovation lab's powers and purposes;
- ▶ establishes a board to govern the innovation lab and provides for the board membership, terms, and responsibilities, and provides certain limits on board members;
- ▶ requires the innovation lab to organize and administer the Utah innovation fund for the purpose of investing in businesses developed in the state through technology commercialization;
- ▶ provides for the Utah innovation fund's powers and purposes; and
- ▶ requires the innovation lab to comply with certain audit and reporting requirements.

Money Appropriated in this Bill:

This bill appropriates in fiscal year 2024:

- ▶ to Governor's Office of Economic Opportunity -- Utah Innovation Lab, as a one-time appropriation:
 - from General Fund Restricted -- Utah Capital Investment Restricted Account, \$15,000,000.

Other Special Clauses:

None

Utah Code Sections Affected:

ENACTS:

63N-20-101, Utah Code Annotated 1953

33 **63N-20-201**, Utah Code Annotated 1953
34 **63N-20-202**, Utah Code Annotated 1953
35 **63N-20-203**, Utah Code Annotated 1953
36 **63N-20-301**, Utah Code Annotated 1953
37 **63N-20-401**, Utah Code Annotated 1953
38 **63N-20-402**, Utah Code Annotated 1953

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40 *Be it enacted by the Legislature of the state of Utah:*

41 Section 1. Section **63N-20-101** is enacted to read:

42 **CHAPTER 20. UTAH INNOVATION LAB ACT**

43 **Part 1. General Provisions**

44 **63N-20-101. Definitions.**

45 As used in this chapter:

46 (1) "Board" means the board of directors of the innovation lab, as described in Section
47 63N-20-202.

48 (2) "Innovation lab" means the Utah Innovation Lab created in Section 63N-20-201.

49 (3) "Qualified business" means a business entity that:

50 (a) is established to commercialize a technology, product, or service developed through
51 a technology commercialization program in the state; and

52 (b) maintains the business's principal business operations in the state.

53 (4) "Qualified investment" means any distribution or payment of funds to a qualified
54 business from the Utah innovation fund, including:

55 (a) a direct investment of capital in a qualified business for the purchase of shares of
56 stock;

57 (b) a secured loan or revolving line of credit to a qualified business; or

58 (c) a financial grant to a qualified business.

59 (5) "Utah innovation fund" means a limited liability company organized under Section
60 63N-20-301.

61 Section 2. Section **63N-20-201** is enacted to read:

62 **Part 2. Utah Innovation Lab**

63 **63N-20-201. Creation of Utah Innovation Lab -- Status and applicability of other**

64 **law -- Powers and purposes -- Dissolution.**

65 (1) There is created the Utah Innovation Lab.

66 (2) The innovation lab is:

67 (a) an independent, nonprofit, quasi-public corporation as defined in Section

68 63E-1-102; and

69 (b) subject to and governed by Sections 63E-2-106, 63E-2-107, 63E-2-108, 63E-2-109,

70 63E-2-110, and 63E-2-111, but is not otherwise subject to or governed by Title 63E,

71 Independent Entities Code.

72 (3) The innovation lab shall organize and administer the Utah innovation fund.

73 (4) The innovation lab may:

74 (a) engage consultants and legal counsel;

75 (b) invest and expend funds;

76 (c) enter into contracts;

77 (d) insure against loss;

78 (e) receive private donations to be used by the Utah innovation fund for qualified

79 investments;

80 (f) hire employees;

81 (g) charge a fee on assets under management in the Utah innovation fund to pay for

82 reasonable and necessary costs of the innovation lab, including the costs of the annual audit

83 required under Section 63N-20-402; and

84 (h) perform any other act necessary to carry out the purposes of the innovation lab.

85 (5) The innovation lab may not:

86 (a) issue debt or borrow funds;

87 (b) exercise governmental functions;

88 (c) have members; or

89 (d) pledge the credit or taxing power of the state or any political subdivision of the

90 state.

91 (6) The innovation lab shall be liquidated and dissolved upon the dissolution of the

92 Utah innovation fund.

93 Section 3. Section **63N-20-202** is enacted to read:

94 **63N-20-202. Board of directors -- Membership -- Limitations.**

95 (1) The innovation lab shall be governed by a board of directors which shall manage
96 and conduct the business and affairs of the innovation lab.

97 (2) The board shall consist of the following seven members:

98 (a) the executive director or the executive director's designee;

99 (b) a representative of the technology commercialization initiatives within the Utah
100 system of higher education, appointed by the commissioner of higher education, or the
101 representative's designee;

102 (c) the chief innovation and economic engagement officer at the University of Utah or
103 the officer's designee;

104 (d) the director of Technology Transfer Services at Utah State University or the
105 director's designee; and

106 (e) three representatives of private industry, appointed by the members described in
107 Subsections (2)(a) through (d).

108 (3) (a) A member described in Subsection (2)(e):

109 (i) shall serve a term of two years; and

110 (ii) may serve more than one term.

111 (b) If a vacancy occurs for a member described in Subsection (2)(e), the members
112 described in Subsections (2)(a) through (d) shall appoint a replacement to serve the remainder
113 of the member's term.

114 (4) The board shall elect a chair from the board's members, who shall serve a two-year
115 term.

116 (5) (a) A majority of the members of the board constitutes a quorum of the board.

117 (b) The action by a majority of the members of a quorum constitutes the action of the
118 board.

119 (6) A member of the board:

120 (a) is subject to any restrictions on conflicts of interest specified in the organizational
121 documents of the innovation lab;

122 (b) shall annually disclose any private equity interests to the innovation lab;

123 (c) may not participate in a vote by the board related to a qualified investment by the
124 Utah innovation fund, if the member has an interest in the qualified investment; and

125 (d) may not receive compensation or benefits for the member's service.

Section 4. Section **63N-20-203** is enacted to read:

63N-20-203. Board duties and powers.

(1) The board shall:

(a) manage and conduct the business and affairs of the innovation lab and determine all questions of innovation lab policy;

(b) consistent with this chapter, establish policies, procedures, and strategies for the administration of the Utah innovation fund, including eligibility criteria and application requirements for a qualified business to receive a qualified investment from the Utah innovation fund; and

(c) approve any decision of the Utah innovation fund to make a qualified investment.

(2) The board may establish independent committees for the purpose of assisting the board in an advisory role.

Section 5. Section **63N-20-301** is enacted to read:

Part 3. Utah Innovation Fund

63N-20-301. Organization of Utah innovation fund -- Powers and purposes -- Use of investment proceeds.

(1) (a) The innovation lab shall organize, and be the sole member and manager of, the Utah innovation fund.

(b) The Utah innovation fund shall be organized as a limited liability company.

(c) The Utah innovation fund may:

(i) engage consultants and legal counsel;

(ii) invest and expend funds;

(iii) enter into contracts;

(iv) insure against loss;

(v) hire employees; and

(vi) perform any other act necessary to carry out the purposes of the Utah innovation fund.

(2) The Utah innovation fund shall, subject to board approval, make qualified investments in a manner and for the following purposes:

(a) to advance innovative technologies developed in Utah;

(b) to strengthen Utah's economy and facilitate job creation;

- 157 (c) to help qualified businesses gain access to capital;
158 (d) to attract entrepreneurs and innovation to Utah;
159 (e) to facilitate the commercialization of technologies discovered, advanced, or
160 developed at state institutions of higher education;
161 (f) to advance the competitiveness of Utah businesses in the global economy;
162 (g) to ensure that the Utah innovation fund remains financially self-sustaining; and
163 (h) to encourage other investors to invest in qualified businesses alongside the Utah
164 innovation fund.

165 (3) The Utah innovation fund shall hold and manage qualified investments made by the
166 Utah innovation fund and the proceeds of those qualified investments.

167 Section 6. Section **63N-20-401** is enacted to read:

168 **Part 4. Reporting and Audit Requirements**

169 **63N-20-401. Annual report.**

170 (1) On or before September 1 of each year, the innovation lab shall publish an annual
171 report of the activities conducted by the Utah innovation fund and submit, in accordance with
172 Section 68-3-14, the written report to:

- 173 (a) the governor;
174 (b) the Business, Economic Development, and Labor Appropriations Subcommittee;
175 (c) the Economic Development and Workforce Services Interim Committee; and
176 (d) the Retirement and Independent Entities Interim Committee.
177 (2) The annual report shall:
178 (a) be designed to provide clear, accurate, and accessible information to the public, the
179 governor, and the Legislature;
180 (b) include a copy of the annual audit required under Section 63N-20-402;
181 (c) describe the policies adopted by the board under Subsection 63N-20-203(1)(b);
182 (d) include detailed information regarding:
183 (i) the name and location of each qualified business that received capital from the Utah
184 innovation fund;
185 (ii) the amount of each qualified investment made by the Utah innovation fund;
186 (iii) the aggregate amount of capital provided to qualified businesses;
187 (iv) realized gains from qualified investments and any realized losses; and

(v) unrealized gains and any unrealized losses based on the net present value of ongoing qualified investments;

(e) include detailed information regarding the innovation lab's yearly expenditures, including:

(i) administrative, operating, and financing expenses; and

(ii) aggregate compensation information for full-time and part-time employees, including benefit and travel expenses;

(f) include detailed information regarding all funding sources for administrative, operating, and financing expenses, including any fees charged by the innovation lab to the Utah innovation fund under Subsection 63N-20-201(4)(g); and

(g) include an explanation of the Utah innovation fund's progress in achieving the purposes described in Subsection 63N-20-301(2).

Section 7. Section **63N-20-402** is enacted to read:

63N-20-402. Annual audit.

(1) Each calendar year, an audit of the activities of the Utah innovation fund shall be conducted by:

(a) the state auditor; or

(b) an independent auditor engaged by the state auditor.

(2) An independent auditor described in Subsection (1)(b) may not have a business, contractual, or other connection to the innovation lab or the Utah innovation fund.

(3) The annual audit shall:

(a) include a valuation of the assets owned by the Utah innovation fund as of the end of the reporting year, using market-standard techniques for assets typically held by early stage private investment and venture capital funds;

(b) include an opinion regarding the accuracy of the information provided in the annual report described in Section 63N-20-401; and

(c) on or before September 1, be delivered to:

(i) the innovation lab; and

(ii) the state treasurer.

(4) The innovation lab shall pay the costs associated with the annual audit.

Section 8. **Appropriation.**

219 The following sums of money are appropriated for the fiscal year beginning July 1,
220 2023, and ending June 30, 2024. These are additions to amounts previously appropriated for
221 fiscal year 2024. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
222 Act, the Legislature appropriates the following sums of money from the funds or accounts
223 indicated for the use and support of the government of the state of Utah.

224 ITEM 1

225 To Governor's Office of Economic Opportunity -- Utah Innovation Lab
226 From General Fund Restricted -- Utah Capital Investment Corporation
227 Restricted Account, One-time \$15,000,000

228 Schedule of Programs:

229 Utah Innovation Lab \$15,000,000

230 The Legislature intends that appropriations provided under this section be used to
231 implement Title 63N, Chapter 20, Utah Innovation Lab Act, and shall not lapse at the close of
232 fiscal year 2024.