

**TECHNOLOGY COMMERCIALIZATION AMENDMENTS**

2023 GENERAL SESSION

STATE OF UTAH

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**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 certain businesses developed in the state through technology commercialization;
- ▶ provides for the use of investment proceeds received by the Utah innovation fund; 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:

33           **63N-20-101**, Utah Code Annotated 1953  
34           **63N-20-201**, Utah Code Annotated 1953  
35           **63N-20-202**, Utah Code Annotated 1953  
36           **63N-20-203**, Utah Code Annotated 1953  
37           **63N-20-301**, Utah Code Annotated 1953  
38           **63N-20-401**, Utah Code Annotated 1953  
39           **63N-20-402**, Utah Code Annotated 1953

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

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

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

44                                   **Part 1. General Provisions**

45           **63N-20-101. Definitions.**

46           As used in this chapter:

47           (1) "Board" means the board of directors of the innovation lab, as described in Section  
48   63N-20-202.

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

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

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

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

54           (4) "Qualified investment" means the direct investment of capital by the Utah  
55   innovation fund in a qualified business for the purchase of shares of stock.

56           (5) "Utah innovation fund" means a limited liability company organized under Section  
57   63N-20-301.

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

59                           **Part 2. Utah Innovation Lab**

60           **63N-20-201. Creation of Utah Innovation Lab -- Status and applicability of other**  
61   law -- Powers and purposes -- Dissolution.

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

63           (2) The innovation lab is:

64 (a) an independent, nonprofit, quasi-public corporation as defined in Section  
65 63E-1-102; and

66 (b) subject to and governed by Sections 63E-2-106, 63E-2-107, 63E-2-108, 63E-2-109,  
67 63E-2-110, and 63E-2-111, but is not otherwise subject to or governed by Title 63E,  
68 Independent Entities Code.

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

70 (4) The innovation lab may:

71 (a) engage consultants and legal counsel;

72 (b) invest and expend funds;

73 (c) enter into contracts;

74 (d) insure against loss;

75 (e) receive private donations to be used by the Utah innovation fund for qualified  
76 investments;

77 (f) hire employees;

78 (g) charge a fee on assets under management in the Utah innovation fund to pay for  
79 reasonable and necessary costs of the innovation lab, including the costs of the annual audit  
80 required under Section 63N-20-402; and

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

82 (5) The innovation lab may not:

83 (a) issue debt or borrow funds;

84 (b) exercise governmental functions;

85 (c) have members; or

86 (d) pledge the credit or taxing power of the state or any political subdivision of the  
87 state.

88 (6) The innovation lab shall be liquidated and dissolved upon the dissolution of the  
89 Utah innovation fund.

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

91 **63N-20-202. Board of directors -- Membership -- Limitations.**

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

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

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

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

(c) the director of the Pivot Center at the University of Utah or the director's designee;

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

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

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

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

(ii) may serve more than one term.

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

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

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

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

(6) A member of the board:

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

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

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

(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) adopt policies for the administration of the Utah innovation fund, including strategies, standards, and procedures governing the Utah innovation fund's investment practices; and

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

(2) The board may establish advisory committees to assist the board in carrying out the responsibilities under this chapter.

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.

(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;

(c) to help qualified businesses gain access to capital;

(d) to attract entrepreneurs and innovation to Utah;

(e) to facilitate the commercialization of technologies discovered, advanced, or developed at state institutions of higher education;

(f) to advance the competitiveness of Utah businesses in the global economy; and

(g) to ensure that the Utah innovation fund remains financially self-sustaining.

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

(4) Proceeds received by the Utah innovation fund from qualified investments may only be used to pay for:

(a) new investments of capital in qualified businesses; or

(b) fees charged by the innovation lab to the Utah innovation fund under Subsection 63N-20-201(4)(g).

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

**Part 4. Reporting and Audit Requirements**

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

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

(a) the governor;

(b) the Business, Economic Development, and Labor Appropriations Subcommittee;

(c) the Economic Development and Workforce Services Interim Committee; and

(d) the Retirement and Independent Entities Interim Committee.

(2) The annual report shall:

(a) be designed to provide clear, accurate, and accessible information to the public, the governor, and the Legislature;

(b) include a copy of the annual audit required under Section 63N-20-402;

(c) describe the policies adopted by the board under Subsection 63N-20-203(1)(b);

(d) include detailed information regarding:

(i) the name and location of each qualified business that received capital from the Utah innovation fund;

(ii) the amount of each qualified investment made by the Utah innovation fund;

(iii) the aggregate amount of capital provided to qualified businesses;

(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 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.**

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

**ITEM 1**

To Governor's Office of Economic Opportunity -- Utah Innovation Lab

From General Fund Restricted -- Utah Capital Investment Corporation

Restricted Account, One-time \$15,000,000

Schedule of Programs:

219                                Utah Innovation Lab                                \$15,000,000  
220                                The Legislature intends that appropriations provided under this section be used to  
221                                implement Title 63N, Chapter 20, Utah Innovation Lab Act, and shall not lapse at the close of  
222                                fiscal year 2024.