

Senator Jerry W. Stevenson proposes the following substitute bill:

SMALL BUSINESS INNOVATION RESEARCH

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jerry W. Stevenson

House Sponsor: Gregory H. Hughes

LONG TITLE

General Description:

This bill modifies the Technology Commercialization and Innovation Act by allowing small businesses to apply for grants and loans under the act.

Highlighted Provisions:

This bill:

- ▶ defines small business;
- ▶ allows small businesses, in addition to institutions of higher education, to apply for Technology Commercialization and Innovation Program grants and loans;
- ▶ provides for rulemaking by the Governor's Office of Economic Development;
- ▶ removes the State Advisory Council for Science and Technology from the funding allocation process; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

This bill appropriates in fiscal year 2014-15:

- ▶ to the Governor's Office of Economic Development, as a one-time appropriation:
 - from the General Fund \$3,400,000, for Technology Commercialization and Innovation Program grants and loans.

Other Special Clauses:



26 This bill takes effect on July 1, 2014.

27 This bill coordinates with S.B. 31, State Agency Reporting Amendments, by providing
28 superseding amendments.

29 **Utah Code Sections Affected:**

30 AMENDS:

31 **63M-1-702**, as last amended by Laws of Utah 2011, Chapter 392

32 **63M-1-703**, as last amended by Laws of Utah 2011, Chapter 392

33 **63M-1-704**, as last amended by Laws of Utah 2011, Chapter 392

34 **Utah Code Sections Affected by Coordination Clause:**

35 **63M-1-704**, as last amended by Laws of Utah 2011, Chapter 392



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

38 Section 1. Section **63M-1-702** is amended to read:

39 **63M-1-702. Purpose.**

40 (1) (a) The Legislature recognizes that the growth of new industry and expansion of
41 existing industry requires a strong technology base, new ideas, concepts, innovations, and
42 prototypes.

43 (b) [~~These generally come from~~] Growth in industry frequently results from
44 technological innovation generated by strong research [colleges and universities] institutions of
45 higher education and by small businesses.

46 (c) Technical research in Utah's [~~colleges and universities~~] institutions of higher
47 education should be enhanced and expanded, particularly in those areas targeted by the state for
48 economic development.

49 (d) Most states [~~are enhancing~~] enhance their research base by direct funding, usually
50 on a matching basis.

51 (e) The purpose of this part is to catalyze and enhance the growth of these technologies
52 by:

53 (i) encouraging interdisciplinary research activities in targeted areas [and by];

54 (ii) facilitating the transition of these technologies out of the [university] higher
55 education environment into industry where the technologies can be used to enhance job
56 creation[-]; and

57 (iii) supporting the commercialization of technologies developed by small business to
58 enhance job creation.

59 (f) The Legislature recognizes that one source of funding is [~~in matching~~] to match
60 state funds with federal funds and industrial support to provide and develop [~~the needed~~] new
61 technologies.

62 (2) The Legislature recommends that the governor consider matching the allocation of
63 economic development funds for the Technology Commercialization and Innovation Program
64 [~~to be matched by~~] with industry and federal grants [~~on at least a two-for-one basis for colleges~~
65 ~~and universities in the state that offer any doctoral degrees~~].

66 (3) (a) The Legislature recommends that the funds be allocated on a competitive basis:

67 (i) to the various [~~colleges and universities~~] institutions of higher education in the state
68 [~~and~~];

69 (ii) to companies working in partnership with [~~colleges and universities~~] institutions of
70 higher education to commercialize their technologies[~~;~~]; and

71 (iii) to small businesses that are developing promising technologies.

72 (b) The funds made available should be used to support:

73 (i) interdisciplinary research in the Technology Commercialization and Innovation
74 Program in technologies that are considered to have potential for economic development in
75 [~~this~~] the state and to help transition these technologies out of [~~the colleges and universities~~]
76 institutions of higher education and into industry[~~;~~]; and

77 (ii) small businesses in commercializing their promising technologies that have the
78 potential to increase economic development in the state.

79 Section 2. Section **63M-1-703** is amended to read:

80 **63M-1-703. Definitions.**

81 As used in this part:

82 (1) "Business team consultant" means an experienced technology executive,
83 entrepreneur, or business person who:

84 (a) is recruited by the office through a request for proposal process to work directly
85 with a college or university in the Technology Commercialization and Innovation Program; and

86 (b) works with the institution to facilitate the transition of its technology into industry
87 by assisting the institution in developing strategies, including spin out strategies when

88 appropriate, and go-to-market plans, and identifying and working with potential customers and
89 partners.

90 (2) "Direct license" means ~~[the licensing]~~ a written license agreement between a
91 company and a Utah ~~[college or university of]~~ institution of higher education related to
92 technology developed at the [college or university for] institution of higher education with the
93 intent of commercializing the technology or facilitating its transition into industry.

94 (3) "Institution of higher education" means:

95 (a) a state institution of higher education as defined in Section 53B-3-102; or

96 (b) a private institution of higher education in the state accredited by a regional or
97 national accrediting agency recognized by the United States Department of Education.

98 ~~[(3)]~~ (4) "Licensee" means:

99 (a) a company that executes or is in the process of executing a direct license; or

100 (b) a sublicensee of the technology from a direct license.

101 (5) "Small business" means a business that:

102 (a) meets the size standards for the business's industry classification as identified by the
103 United States Small Business Administration in 13 C.F.R. Sec. 121.201;

104 (b) is organized for profit;

105 (c) operates primarily within the United States;

106 (d) has a principal place of business in the state, including a manufacturing or service
107 location; and

108 (e) is independently owned and operated.

109 ~~[(4)]~~ (6) "Technology Commercialization and Innovation Program" means
110 ~~[university-based,];~~

111 (a) a federal- and industry-supported cooperative research and development
112 [programs-] program based at an institution of higher education; or

113 (b) a federal- and state-supported program for funding technologically innovative small
114 businesses.

115 Section 3. Section **63M-1-704** is amended to read:

116 **63M-1-704. Administration -- Grants and loans.**

117 (1) The Governor's Office of Economic Development shall administer this part.

118 (2) (a) (i) The office may award Technology Commercialization and Innovation

119 Program grants or issue loans [~~to the various colleges, universities, and licensees in the state~~
 120 ~~for the purposes of this part.~~] under this part to an applicant that is:

121 (A) an institution of higher education;

122 (B) a licensee; or

123 (C) a small business.

124 (ii) If loans are issued under Subsection (2)(a)(i), the Division of Finance may set up a
 125 fund or account as necessary for the proper accounting of the loans.

126 (b) [~~The Governor's Office of Economic Development shall develop~~] In accordance
 127 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the office shall make rules
 128 for a process to determine whether [a college or university] an institution of higher education
 129 that receives a grant under this part must return the grant proceeds or a portion of the grant
 130 proceeds if the technology that is developed with the grant proceeds is licensed to a licensee
 131 that:

132 (i) does not maintain a manufacturing or service location in the state from which the
 133 licensee or a sublicensee exploits the technology; or

134 (ii) initially maintains a manufacturing or service location in the state from which the
 135 licensee or a sublicensee exploits the technology, but within five years after issuance of the
 136 license the licensee or sublicensee transfers the manufacturing or service location for the
 137 technology to a location out of the state.

138 (c) A repayment by [~~a college or university~~] an institution of higher education of grant
 139 proceeds or a portion of the grant proceeds [~~shall come only~~] may only come from the proceeds
 140 of the license established between the licensee and the [~~college or university~~] institution of
 141 higher education.

142 (d) (i) [~~A licensee~~] An applicant that is a licensee or small business that receives a
 143 grant under this part shall return the grant proceeds or a portion of the grant proceeds to the
 144 office if the [~~licensee~~] applicant:

145 (A) does not maintain a manufacturing or service location in the state from which the
 146 [~~licensee~~] applicant exploits the technology; or

147 (B) initially maintains a manufacturing or service location in the state from which the
 148 [~~licensee~~] applicant exploits the technology, but within five years after issuance of the grant,
 149 the [~~licensee~~] applicant transfers the manufacturing or service location for the technology to an

150 out-of-state location.

151 ~~[(ii) A repayment by a licensee that receives a grant shall come only from the proceeds~~
152 ~~of the license to that licensee.]~~

153 ~~[(iii) A repayment by a licensee shall be prorated based only on the number of full~~
154 ~~years the licensee operated in the state from the date of the awarded grant.]~~

155 (ii) A repayment by an applicant shall be prorated based on the number of full years the
156 applicant operated in the state from the date of the awarded grant.

157 (iii) A repayment by a licensee that receives a grant may only come from the proceeds
158 of the license to that licensee.

159 (3) (a) Funding allocations shall be made by the office with the advice of ~~[the State~~
160 ~~Advisory Council for Science and Technology and]~~ the board.

161 (b) Each proposal shall receive the best available outside review.

162 (4) (a) In considering each proposal, the office shall weigh technical merit, the level of
163 matching funds from private and federal sources, and the potential for job creation and
164 economic development.

165 (b) Proposals or consortia that combine and coordinate related research at two or more
166 ~~[colleges and universities]~~ institutions of higher education shall be encouraged.

167 (5) The ~~[State Advisory Council on Science and Technology]~~ office shall review the
168 activities and progress of grant recipients on a regular basis and ~~[assist the office in preparing~~
169 ~~an annual]~~, as part of the office's annual written report described in Section 63M-1-206, report
170 on the accomplishments and direction of the Technology Commercialization and Innovation
171 Program.

172 **Section 4. Appropriation.**

173 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, for
174 the fiscal year beginning July 1, 2014, and ending June 30, 2015, the following sums of money
175 are appropriated from resources not otherwise appropriated, or reduced from amounts
176 previously appropriated, out of the funds or accounts indicated. These sums of money are in
177 addition to any amounts previously appropriated for fiscal year 2015.

178 To Governor's Office of Economic Development

179 From General Fund, one-time

\$3,400,000

180 Schedule of Programs:

181 Technology Commercialization and Innovation
182 Program for grants and loans \$3,400,000

183 Section 5. **Effective date.**

184 This bill takes effect on July 1, 2014.

185 Section 6. **Coordinating S.B. 263 with S.B. 31 -- Superseding amendments.**

186 If this S.B. 263 and S.B. 31, State Agency Reporting Amendments, both pass and
187 become law, as of July 1, 2014, it is the intent of the Legislature that the amendments to
188 Section [63M-1-704](#) in this bill supersede the amendments to Section [63M-1-704](#) in S.B. 31,
189 when the Office of Legislative Research and General Counsel prepares the Utah Code database
190 for publication.