

Representative Jeffrey D. Stenquist proposes the following substitute bill:

TECHNOLOGY COMMERCIALIZATION AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jeffrey D. Stenquist

Senate Sponsor: Ann Millner

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:



57 business from the Utah innovation fund, including:

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

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

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

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

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

65 **Part 2. Utah Innovation Lab**

66 **63N-20-201. Creation of Utah Innovation Lab -- Status and applicability of other**
67 **law -- Powers and purposes -- Dissolution.**

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

69 (2) The innovation lab is:

70 (a) an independent, nonprofit, quasi-public corporation as defined in Section
71 63E-1-102; and

72 (b) subject to and governed by Sections 63E-2-106, 63E-2-107, 63E-2-108, 63E-2-109,
73 63E-2-110, and 63E-2-111, but is not otherwise subject to or governed by Title 63E,
74 Independent Entities Code.

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

76 (4) The innovation lab may:

77 (a) engage consultants and legal counsel;

78 (b) invest and expend funds;

79 (c) enter into contracts;

80 (d) insure against loss;

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

83 (f) hire employees;

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

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

88 (5) The innovation lab may not:
89 (a) issue debt or borrow funds;
90 (b) exercise governmental functions;
91 (c) have members; or
92 (d) pledge the credit or taxing power of the state or any political subdivision of the
93 state.

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

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

97 **63N-20-202. Board of directors -- Membership -- Limitations.**

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

100 (2) The board shall consist of seven voting members as follows:

101 (a) one individual who represents technology commercialization initiatives within the
102 Utah system of higher education, appointed by the commissioner of higher education, or the
103 individual's designee;

104 (b) one individual who leads technology commercialization efforts at the University of
105 Utah, appointed by the president of the University of Utah, or the individual's designee;

106 (c) one individual who leads technology commercialization efforts at Utah State
107 University, appointed by the president of Utah State University, or the individual's designee;

108 (d) the chief executive officer of World Trade Center Utah, or the chief executive
109 officer's designee; and

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

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

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

114 (ii) may serve more than one term.

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

118 (4) (a) The board may appoint up to two additional nonvoting members to provide

119 industry and technical expertise.

120 (b) A member of the board appointed under Subsection (4)(a) serves at the pleasure of
121 the board and may be removed and replaced at any time, with or without cause.

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

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

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

127 (7) A member of the board:

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

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

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

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

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

135 **63N-20-203. Board duties and powers.**

136 (1) The board shall:

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

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

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

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

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

147 **Part 3. Utah Innovation Fund**

148 **63N-20-301. Organization of Utah innovation fund -- Powers and purposes -- Use**
149 **of investment proceeds.**

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

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

153 (c) The Utah innovation fund may:

154 (i) engage consultants and legal counsel;

155 (ii) invest and expend funds;

156 (iii) enter into contracts;

157 (iv) insure against loss;

158 (v) hire employees; and

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

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

163 (a) to advance innovative technologies developed in Utah;

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

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

166 (d) to attract entrepreneurs and innovation to Utah;

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

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

170 (g) to ensure that the Utah innovation fund remains financially self-sustaining; and

171 (h) to encourage other investors to invest in qualified businesses alongside the Utah
172 innovation fund.

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

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

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

177 **63N-20-401. Annual report.**

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

- 181 (a) the governor;
- 182 (b) the Business, Economic Development, and Labor Appropriations Subcommittee;
- 183 (c) the Economic Development and Workforce Services Interim Committee; and
- 184 (d) the Retirement and Independent Entities Interim Committee.
- 185 (2) The annual report shall:
- 186 (a) be designed to provide clear, accurate, and accessible information to the public, the
- 187 governor, and the Legislature;
- 188 (b) include a copy of the annual audit required under Section [63N-20-402](#);
- 189 (c) describe the policies adopted by the board under Subsection [63N-20-203\(1\)\(b\)](#);
- 190 (d) include detailed information regarding:
- 191 (i) the name and location of each qualified business that received capital from the Utah
- 192 innovation fund;
- 193 (ii) the amount of each qualified investment made by the Utah innovation fund;
- 194 (iii) the aggregate amount of capital provided to qualified businesses;
- 195 (iv) realized gains from qualified investments and any realized losses; and
- 196 (v) unrealized gains and any unrealized losses based on the net present value of
- 197 ongoing qualified investments;
- 198 (e) include detailed information regarding the innovation lab's yearly expenditures,
- 199 including:
- 200 (i) administrative, operating, and financing expenses; and
- 201 (ii) aggregate compensation information for full-time and part-time employees,
- 202 including benefit and travel expenses;
- 203 (f) include detailed information regarding all funding sources for administrative,
- 204 operating, and financing expenses, including any fees charged by the innovation lab to the Utah
- 205 innovation fund under Subsection [63N-20-201\(4\)\(g\)](#); and
- 206 (g) include an explanation of the Utah innovation fund's progress in achieving the
- 207 purposes described in Subsection [63N-20-301\(2\)](#).
- 208 Section 7. Section **63N-20-402** is enacted to read:
- 209 **63N-20-402. Annual audit.**
- 210 (1) Each calendar year, an audit of the activities of the Utah innovation fund shall be
- 211 conducted by:

- 212 (a) the state auditor; or
- 213 (b) an independent auditor engaged by the state auditor.
- 214 (2) An independent auditor described in Subsection (1)(b) may not have a business,
- 215 contractual, or other connection to the innovation lab or the Utah innovation fund.
- 216 (3) The annual audit shall:
- 217 (a) include a valuation of the assets owned by the Utah innovation fund as of the end of
- 218 the reporting year, using market-standard techniques for assets typically held by early stage
- 219 private investment and venture capital funds;
- 220 (b) include an opinion regarding the accuracy of the information provided in the annual
- 221 report described in Section 63N-20-401; and
- 222 (c) on or before September 1, be delivered to:
- 223 (i) the innovation lab; and
- 224 (ii) the state treasurer.
- 225 (4) The innovation lab shall pay the costs associated with the annual audit.

Section 8. **Appropriation.**

227 The following sums of money are appropriated for the fiscal year beginning July 1,
 228 2023, and ending June 30, 2024. These are additions to amounts previously appropriated for
 229 fiscal year 2024. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
 230 Act, the Legislature appropriates the following sums of money from the funds or accounts
 231 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

<u>Restricted Account, One-time</u>	<u>15,000,000</u>
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Schedule of Programs:

<u>Utah Innovation Lab</u>	<u>15,000,000</u>
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238 The Legislature intends that appropriations provided under this item be used to
 239 implement Title 63N, Chapter 20, Utah Innovation Lab Act, and shall not lapse at the close of
 240 fiscal year 2024.