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FIRST REPRINT

A.B. 29

ASSEMBLY BILL NO. 29—COMMITTEE ON REVENUE

(ON BEHALF OF THE OFFICE OF ECONOMIC DEVELOPMENT
IN THE OFFICE OF THE GOVERNOR)

PREFILED NOVEMBER 18, 2020

Referred to Committee on Revenue

SUMMARY—Revises provisions governing programs for the development and commercialization of research and technology in this State. (BDR 18-256)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to economic development; redesignating the Knowledge Account as the Nevada Innovation Account; requiring the Executive Director of the Office of Economic Development to establish a competitive grant program to provide grants for certain purposes related to the research and development of technology in this State; revising provisions governing commercialization revenue allocated between the Office, the research universities and the Desert Research Institute; revising the duties of the Executive Director; expanding the services that must be provided by a technology outreach program; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

- 1 Existing law establishes the Knowledge Account, containing money which may
- 2 be used to fund a program for the development and commercialization of research
- 3 and technology at the University of Nevada, Las Vegas, the University of Nevada,
- 4 Reno, and the Desert Research Institute. (NRS 231.1591-231.1597) **Sections 1-7** of
- 5 this bill redesignate the Knowledge Account as the Nevada Innovation Account.
- 6 Existing law authorizes the Executive Director of the Office of Economic
- 7 Development to allocate money in the Knowledge Account among certain entities
- 8 to support commercialization and technology transfer to the private sector. (NRS
- 9 231.1592) **Section 2** of this bill instead authorizes the Executive Director to
- 10 establish one or more competitive grant programs to address market gaps in the
- 11 development of technology in this State, to facilitate the operation of the



12 technology outreach program established by the Executive Director or to facilitate
13 the research and development of promising technologies that have reached a
14 technology readiness level of at least 3, which, under **section 1** of this bill, would
15 be determined using the method of assessing the maturity level of technology used
16 by the Federal Government. **Section 2** also requires that not less than 80 percent of
17 the grant money awarded pursuant to such competitive grant programs be awarded
18 to the University of Nevada, Las Vegas, the University of Nevada, Reno, the Desert
19 Research Institute or partnerships between private entities and the University of
20 Nevada, Las Vegas, the University of Nevada, Reno or the Desert Research
21 Institute.

22 Existing law requires commercialization revenue received by the Office
23 pursuant to an agreement with a research university or the Desert Research Institute
24 to be deposited in the Knowledge Account. (NRS 231.1593) **Section 3** of this bill
25 includes certain types of revenue as commercialization revenue and requires any
26 stock or equity received pursuant to such an agreement to be transferred to a
27 nonprofit corporation formed under existing law to promote, aid and encourage
28 economic development and to be held for the benefit of the Nevada Innovation
29 Account.

30 Existing law requires the Executive Director, in making allocations from the
31 Knowledge Account, to consider certain factors, including whether each of the
32 entities to whom an allocation can be made has received an equitable share of such
33 allocations. (NRS 231.1594) **Section 4** of this bill removes the requirement for the
34 Executive Director to consider this factor. **Section 4** also establishes the procedures
35 for a research university, the Desert Research Institute, the technology outreach
36 program established by existing law, private entities or a partnership between a
37 private entity and a research university or the Desert Research Institute to apply for
38 a grant pursuant to the competitive grant program established pursuant to **section 2**.

39 Existing law requires the Executive Director to take certain actions in
40 consultation with the Board of Economic Development and the Chancellor of the
41 Nevada System of Higher Education. (NRS 231.1595) **Section 5** of this bill adds to
42 this list of actions a requirement to facilitate research and development of
43 technologies that have reached a certain technology readiness level at the research
44 universities and the Desert Research Institute and to offer grants through a
45 competitive grant program established pursuant to **section 2**.

46 Existing law requires the Executive Director to use money in the Knowledge
47 Account to establish a technology outreach program and to ensure that the program
48 provides certain services. (NRS 231.1596) **Section 6** of this bill expands the list of
49 services which the technology outreach program must provide.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 231.1591 is hereby amended to read as
2 follows:

3 231.1591 As used in NRS 231.1591 to 231.1597, inclusive,
4 unless the context otherwise requires:

5 1. "Chancellor" means the Chancellor of the Nevada System of
6 Higher Education or his or her designee.

7 2. "**Private entity**":



1 (a) Means a privately-owned corporation, limited-liability
2 company, partnership or other business entity or association,
3 including, without limitation, a nonprofit corporation.

4 (b) Does not include a sole proprietorship.

5 3. "Research universities" means the University of Nevada,
6 Las Vegas, and the University of Nevada, Reno.

7 4. "Technology readiness level" means the level of maturity
8 of a technology as determined using the method for assessing such
9 maturity that is used by the Federal Government and is
10 determined by the Office to be most appropriate for assessing the
11 maturity of the technology.

12 **Sec. 2.** NRS 231.1592 is hereby amended to read as follows:

13 231.1592 1. The ~~Knowledge~~ Nevada Innovation Account
14 is hereby created in the State General Fund.

15 2. The interest and income earned on:

16 (a) Money in the ~~Knowledge~~ Nevada Innovation Account,
17 after deducting any applicable charges; and

18 (b) Unexpended appropriations made to the Account from the
19 State General Fund,

20 \rightarrow must be credited to the ~~Knowledge~~ Nevada Innovation
21 Account.

22 3. Any money in the ~~Knowledge~~ Nevada Innovation
23 Account and any unexpended appropriations made to the Account
24 from the State General Fund remaining at the end of a fiscal year do
25 not revert to the State General Fund, and the balance in the
26 ~~Knowledge~~ Nevada Innovation Account must be carried forward
27 to the next fiscal year.

28 4. The Executive Director:

29 (a) Shall administer the ~~Knowledge~~ Nevada Innovation
30 Account in a manner that is consistent with the State Plan for
31 Economic Development developed by the Executive Director
32 pursuant to subsection 2 of NRS 231.053;

33 (b) May apply for and accept any gift, grant, donation, bequest
34 or other source of money for deposit in the ~~Knowledge~~ Nevada
35 Innovation Account; and

36 (c) Subject to any restrictions imposed by ~~such~~ a grant, gift,
37 donation, ~~for~~ appropriation ~~[, may allocate money in the~~
38 ~~Knowledge Account among the research universities, the Desert~~
39 ~~Research Institute, the technology outreach program established~~
40 ~~pursuant to NRS 231.1596 and the technology transfer offices of the~~
41 ~~research universities and the Desert Research Institute to support~~
42 ~~commercialization and technology transfer to the private sector.] or~~
43 ~~other source of money, shall establish one or more competitive~~
44 ~~programs that:~~

45 (1) Are designed to:



1 (I) Address market gaps in the development of
2 technology in this State;

3 (II) Facilitate the operation of the technology outreach
4 program established pursuant to NRS 231.1596; or

5 (III) Facilitate research and development of promising
6 technologies that have reached a technology readiness level of at
7 least 3;

8 (2) Do not overlap with or duplicate other state-funded
9 programs; and

10 (3) Offer grants on a competitive basis to:

11 (I) The research universities, the Desert Research
12 Institute or the technology outreach program established pursuant
13 to NRS 231.1596;

14 (II) Private entities; or

15 (III) Partnerships between private entities and the
16 research universities or the Desert Research Institute.

17 5. An entity that is awarded a grant pursuant to paragraph (c)
18 of subsection 4 must, before receiving any money pursuant to the
19 grant, enter into an agreement with the Office that establishes the
20 terms and conditions of the grant. The agreement must establish
21 specific objectives to be accomplished by the recipient of the grant
22 and require the recipient to submit to the Office reports
23 concerning the progress of the recipient toward accomplishing
24 those objectives.

25 6. Not less than 80 percent of the grants awarded pursuant to
26 paragraph (c) of subsection 4 must be awarded to the research
27 universities, the Desert Research Institute or to partnerships
28 between private entities and the research universities or the Desert
29 Research Institute.

30 **Sec. 3.** NRS 231.1593 is hereby amended to read as follows:

31 231.1593 1. The Executive Director may enter into
32 agreements, when the Executive Director deems such an agreement
33 to be appropriate, with the research universities and the Desert
34 Research Institute for the allocation of commercialization revenue
35 between the Office, the research universities and the Desert
36 Research Institute. Any commercialization revenue received by the
37 Office pursuant to such an agreement must be deposited in the
38 ~~Knowledge~~ Nevada Innovation Account created by NRS
39 231.1592 ~~1~~, except that any commercialization revenue received
40 in the form of stock or other type of equity interest in an entity
41 must be transferred to a nonprofit corporation formed pursuant to
42 NRS 231.0545 and held by the nonprofit corporation for the
43 benefit of the Nevada Innovation Account.

44 2. In consideration of the money and services provided or
45 agreed to be provided by the Office, the research universities and



1 the Desert Research Institute shall agree to allocate
2 commercialization revenue in accordance with any agreement
3 entered into pursuant to subsection 1.

4 3. As used in this section, “commercialization revenue” means
5 dividends, realized capital gains, license fees, royalty fees, *stock or*
6 *other type of equity interest in an entity received in connection*
7 *with the licensing of technology or from a spin-out company, any*
8 *net proceeds from the commercialization of technology received in*
9 *the form of cash or stock or other type of equity interest in an*
10 *entity, or a combination thereof, by a research university or the*
11 *Desert Research Institute, revenue from fee-for-service*
12 *agreements as a result of projects supported by the Nevada*
13 *Innovation Account at a research university or the Desert*
14 *Research Institute and other revenues received by a research*
15 *university or the Desert Research Institute as a result of commercial*
16 *applications developed as a result of the programs established*
17 *pursuant to NRS 231.1591 to 231.1597, inclusive, less:*

18 (a) The portion of those revenues allocated to the inventor; and

19 (b) Expenditures incurred by the research university or the
20 Desert Research Institute to legally protect the intellectual property.

21 **Sec. 4.** NRS 231.1594 is hereby amended to read as follows:

22 231.1594 1. After considering the advice and
23 recommendations of the Board, the Executive Director shall
24 establish procedures for applying for ~~[an allocation]~~ *a grant* of
25 money from the ~~[Knowledge]~~ *Nevada Innovation* Account created
26 by NRS 231.1592 ~~[]~~ *pursuant to a competitive grant program*
27 *established pursuant to paragraph (c) of subsection 4 of NRS*
28 *231.1592.* The procedures must include, without limitation, a
29 requirement that applications for ~~[allocations]~~ *grants* of money set
30 forth:

31 (a) The proposed use of the money;

32 (b) The plans, projects and programs for which the money will
33 be used;

34 (c) The expected benefits of the money; and

35 (d) A statement of the short-term and long-term impacts of the
36 use of the money.

37 2. In making ~~[allocations]~~ *grants* of money from the
38 ~~[Knowledge]~~ *Nevada Innovation* Account created ~~[pursuant to]~~ *by*
39 *NRS 231.1592 [] pursuant to a competitive grant program*
40 *established pursuant to paragraph (c) of subsection 4 of NRS*
41 *231.1592,* the Executive Director must consider ~~[]~~

42 ~~—(a) The]~~ *the* extent to which ~~[an allocation]~~ *a grant* will promote
43 the economic development of this State and aid the implementation
44 of the State Plan for Economic Development developed by the
45 Executive Director pursuant to subsection 2 of NRS 231.053. ~~[] and~~



1 ~~—(b) Whether the research universities and the Desert Research~~
2 ~~Institute have received an equitable share of the allocations of~~
3 ~~money from the Knowledge Account.]~~

4 3. In accordance with the procedures established pursuant to
5 subsection 1, a research university, ~~for~~ the Desert Research
6 Institute, *the technology outreach program established pursuant*
7 *to NRS 231.1596 or a partnership between a private entity and a*
8 *research university or the Desert Research Institute* may apply for
9 ~~[an allocation]~~ *a grant* of money from the ~~[Knowledge]~~ *Nevada*
10 *Innovation* Account. Upon receipt of an application for ~~[an~~
11 ~~allocation]~~ *a grant* from the ~~[Knowledge]~~ *Nevada Innovation*
12 Account, the Executive Director shall review the application and
13 determine whether the approval of the application would promote
14 the economic development of this State and aid the implementation
15 of the State Plan for Economic Development developed by the
16 Executive Director pursuant to subsection 2 of NRS 231.053. If the
17 Executive Director determines that approving the application will
18 promote the economic development of this State and aid the
19 implementation of the State Plan for Economic Development, the
20 Executive Director may approve the application and make ~~[an~~
21 ~~allocation]~~ *a grant* of money from the ~~[Knowledge]~~ *Nevada*
22 *Innovation* Account to the applicant.

23 4. If a research university, ~~for~~ the Desert Research Institute,
24 *the technology outreach program established pursuant to NRS*
25 *231.1596 or a partnership between a private entity and a research*
26 *university or the Desert Research Institute* receives ~~[an allocation]~~
27 *a grant* of money from the ~~[Knowledge]~~ *Nevada Innovation*
28 Account, the money must be used ~~[for the purposes set forth in NRS~~
29 ~~231.1597.]~~ *in accordance with the agreement entered into by the*
30 *Office and the recipient pursuant to subsection 5 of*
31 *NRS 231.1592.*

32 **Sec. 5.** NRS 231.1595 is hereby amended to read as follows:

33 231.1595 1. In consultation with the Board and the
34 Chancellor, the Executive Director shall:

35 (a) Establish, for the programs established pursuant to NRS
36 231.1591 to 231.1597, inclusive, economic development goals
37 which are consistent with the State Plan for Economic Development
38 developed by the Executive Director pursuant to subsection 2 of
39 NRS 231.053 and the strategic plans of the research universities and
40 the Desert Research Institute.

41 (b) In cooperation with the administration of the research
42 universities and the Desert Research Institute, ~~[expand science and~~
43 ~~technology]~~ *facilitate research and development of promising*
44 *technologies that have reached a technology readiness level of 3 or*
45 *higher* at the research universities and the Desert Research Institute.



1 (c) Enhance technology transfer and commercialization of
2 research and technologies developed at the research universities and
3 the Desert Research Institute to create high-quality jobs and new
4 industries in this State ~~(c)~~ *or to address market gaps in technology*
5 *development in this State.*

6 (d) *Offer grants through a competitive grant program*
7 *established pursuant to NRS 231.1592.*

8 (e) Establish economic development objectives for the programs
9 established pursuant to NRS 231.1591 to 231.1597, inclusive.

10 ~~(e)~~ (f) Verify that the programs established pursuant to NRS
11 231.1591 to 231.1597, inclusive, are being enhanced by research
12 grants and that such programs are meeting the Board's economic
13 development objectives.

14 ~~(f)~~ (g) Monitor all research plans that are part of the programs
15 established pursuant to NRS 231.1591 to 231.1597, inclusive, at the
16 research universities and the Desert Research Institute to determine
17 that allocations from the ~~[Knowledge]~~ *Nevada Innovation* Account
18 created by NRS 231.1592 are being spent in accordance with
19 legislative intent and to maximize the benefit and return to this
20 State.

21 ~~(g)~~ (h) Develop methods and incentives to encourage
22 investment in and contributions to the programs established
23 pursuant to NRS 231.1591 to 231.1597, inclusive, from the private
24 sector.

25 ~~(h)~~ (i) Establish requirements for periodic reports from the
26 research universities and the Desert Research Institute concerning
27 the use of allocations from the ~~[Knowledge]~~ *Nevada Innovation*
28 Account pursuant to NRS 231.1597. The requirements must include,
29 without limitation, a requirement that the recipient of the allocation
30 include in such a report:

31 (1) A description of each activity undertaken with money
32 from the allocation and the amount of money used for each such
33 activity; and

34 (2) Such documentation as the Executive Director deems
35 appropriate to support the information provided in the report.

36 ~~(i)~~ (j) On or before November 1, 2012, and on or before
37 November 1 of every year thereafter, submit a report to the
38 Governor and to the Director of the Legislative Counsel Bureau for
39 transmittal to the Interim Finance Committee, if the report is
40 received during an odd-numbered year, or to the next session of the
41 Legislature, if the report is received during an even-numbered year.
42 The report must include, without limitation:

43 (1) The number of research teams and faculty recruited, hired
44 and retained pursuant to NRS 231.1597 and the amount of funding
45 provided to those research teams;



1 (2) A description of the research being conducted by the
2 research teams and faculty for which the Executive Director has
3 provided funding pursuant to NRS 231.1597;

4 (3) The number of patents which have been filed as a result
5 of the programs established pursuant to NRS 231.1591 to 231.1597,
6 inclusive;

7 (4) The amount of research grants awarded to the research
8 teams and faculty recruited, hired and retained pursuant to
9 NRS 231.1597;

10 (5) The amount of all grants, gifts and donations to the
11 ~~Knowledge~~ *Nevada Innovation* Account from public and private
12 sources;

13 (6) The number of businesses which have been created or
14 expanded in this State, or relocated to this State, because of the
15 programs established pursuant to NRS 231.1591 to 231.1597,
16 inclusive; and

17 (7) The number of jobs which have been created or saved as
18 a result of the activities of the Office.

19 2. The Executive Director may enter into any agreements
20 necessary to obtain private equity investment in the programs
21 established pursuant to NRS 231.1591 to 231.1597, inclusive.

22 **Sec. 6.** NRS 231.1596 is hereby amended to read as follows:

23 231.1596 1. The Executive Director shall use money in the
24 ~~Knowledge~~ *Nevada Innovation* Account created by NRS
25 231.1592 to establish a technology outreach program at locations
26 distributed strategically throughout this State.

27 2. The Executive Director shall ensure that the technology
28 outreach program acts as a resource to:

29 (a) Broker ideas, new technologies and services to entrepreneurs
30 and businesses throughout a defined service area;

31 (b) Engage local entrepreneurs and faculty and staff at state
32 colleges and community colleges by connecting them to the research
33 universities and the Desert Research Institute;

34 (c) *Provide mentoring, networking and entrepreneurial*
35 *training to assist private entities, the research universities and the*
36 *Desert Research Institute with bringing a new technology to*
37 *market;*

38 (d) *Provide support to private entities, the research universities*
39 *and the Desert Research Institute in assessing the potential for*
40 *bringing a new technology to market;*

41 (e) *Encourage industry partnerships between private entities,*
42 *the research universities and the Desert Research Institute;*

43 (f) *Establish a small business research and innovation and*
44 *small business technology transfer matching program which may*



1 *cooperate with a nonprofit corporation formed pursuant to*
2 *NRS 231.0545;*

3 *(g) Assist the research universities and the Desert Research*
4 *Institute with effectively forming investable spin-out companies*
5 *through the creation of an independent market access entity;*

6 *(h) Assist professors and researchers in finding entrepreneurs*
7 *and investors for the commercialization of their ideas and*
8 *technologies;*

9 ~~[(d)]~~ *(i) Connect market ideas and technologies in new or*
10 *existing businesses or industries or in state colleges and community*
11 *colleges with the expertise of the research universities and the*
12 *Desert Research Institute;*

13 ~~[(e)]~~ *(j) Assist businesses, the research universities, state*
14 *colleges, community colleges and the Desert Research Institute in*
15 *developing commercial applications for their research; and*

16 ~~[(f)]~~ *(k) Disseminate and share discoveries and technologies*
17 *emanating from the research universities and the Desert Research*
18 *Institute to local entrepreneurs, businesses, state colleges and*
19 *community colleges.*

20 3. In designing and operating the technology outreach program,
21 the ~~[Board]~~ *Executive Director* shall work cooperatively with the
22 ~~[technology transfer offices]~~ *vice presidents for research* at the
23 research universities , ~~[and]~~ the Desert Research Institute ~~[.]~~ *and*
24 *private entities.*

25 **Sec. 7.** The Legislative Counsel shall:

26 1. In preparing the reprint and supplements to the Nevada
27 Revised Statutes, appropriately change any references to the
28 “Knowledge Account” to refer to the “Nevada Innovation Account.”

29 2. In preparing supplements to the Nevada Administrative
30 Code, make such changes as necessary so that references to the
31 “Knowledge Account” are changed to the “Nevada Innovation
32 Account.”

33 **Sec. 8.** This act becomes effective on July 1, 2021.



