

1 **TECHNOLOGY COMMERCIALIZATION AMENDMENTS**

2 2023 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Adam Robertson**

5 Senate Sponsor: Kirk A. Cullimore

6

7 **LONG TITLE**

8 **Committee Note:**

9 The Economic Development and Workforce Services Interim Committee recommended
10 this bill.

11 Legislative Vote: 12 voting for 1 voting against 3 absent

12 **General Description:**

13 This bill enacts provisions relating to technology commercialization.

14 **Highlighted Provisions:**

15 This bill:

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



28 **Money Appropriated in this Bill:**

29 This bill appropriates in fiscal year 2024:

30 ▶ to Governor's Office of Economic Opportunity -- Utah Innovation Lab, as a
31 one-time appropriation:

32 • from General Fund Restricted -- Utah Capital Investment Restricted Account,
33 \$15,000,000.

34 **Other Special Clauses:**

35 None

36 **Utah Code Sections Affected:**

37 ENACTS:

38 [63N-20-101](#), Utah Code Annotated 1953

39 [63N-20-201](#), Utah Code Annotated 1953

40 [63N-20-202](#), Utah Code Annotated 1953

41 [63N-20-203](#), Utah Code Annotated 1953

42 [63N-20-301](#), Utah Code Annotated 1953

43 [63N-20-401](#), Utah Code Annotated 1953

44 [63N-20-402](#), Utah Code Annotated 1953



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

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

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

49 **Part 1. General Provisions**

50 **63N-20-101. Definitions.**

51 As used in this chapter:

52 (1) "Board" means the board of directors of the innovation lab, as described in Section
53 [63N-20-202](#).

54 (2) "Innovation lab" means the Utah Innovation Lab created in Section [63N-20-201](#).

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

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

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

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

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

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

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

65 (5) "Utah innovation fund" means a limited liability company organized under Section
 66 [63N-20-301](#).

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

68 **Part 2. Utah Innovation Lab**

69 **63N-20-201. Creation of Utah Innovation Lab -- Status and applicability of other**
 70 **law -- Powers and purposes -- Dissolution.**

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

72 (2) The innovation lab is:

73 (a) an independent, nonprofit, quasi-public corporation as defined in Section
 74 [63E-1-102](#); and

75 (b) subject to and governed by Sections [63E-2-106](#), [63E-2-107](#), [63E-2-108](#), [63E-2-109](#),
 76 [63E-2-110](#), and [63E-2-111](#), but is not otherwise subject to or governed by Title 63E,
 77 Independent Entities Code.

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

79 (4) The innovation lab may:

80 (a) engage consultants and legal counsel;

81 (b) invest and expend funds;

82 (c) enter into contracts;

83 (d) insure against loss;

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

86 (f) hire employees;

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

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

91 (5) The innovation lab may not:

92 (a) issue debt or borrow funds;

93 (b) exercise governmental functions;

94 (c) have members; or

95 (d) pledge the credit or taxing power of the state or any political subdivision of the
96 state.

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

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

100 **63N-20-202. Board of directors -- Membership -- Limitations.**

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

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

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

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

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

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

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

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

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

116 (ii) may serve more than one term.

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

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

121 term.

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

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

125 (6) A member of the board:

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

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

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

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

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

133 **63N-20-203. Board duties and powers.**

134 (1) The board shall:

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

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

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

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

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

145 **Part 3. Utah Innovation Fund**

146 **63N-20-301. Organization of Utah innovation fund -- Powers and purposes -- Use**
147 **of investment proceeds.**

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

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

151 (c) The Utah innovation fund may:

- 152 (i) engage consultants and legal counsel;
- 153 (ii) invest and expend funds;
- 154 (iii) enter into contracts;
- 155 (iv) insure against loss;
- 156 (v) hire employees; and
- 157 (vi) perform any other act necessary to carry out the purposes of the Utah innovation
- 158 fund.

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

- 161 (a) to advance innovative technologies developed in Utah;
- 162 (b) to strengthen Utah's economy and facilitate job creation;
- 163 (c) to help qualified businesses gain access to capital;
- 164 (d) to attract entrepreneurs and innovation to Utah;
- 165 (e) to facilitate the commercialization of technologies discovered, advanced, or
 166 developed at state institutions of higher education;
- 167 (f) to advance the competitiveness of Utah businesses in the global economy;
- 168 (g) to ensure that the Utah innovation fund remains financially self-sustaining; and
- 169 (h) to encourage other investors to invest in qualified businesses alongside the Utah
 170 innovation fund.

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

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

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

175 **63N-20-401. Annual report.**

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

- 179 (a) the governor;
- 180 (b) the Business, Economic Development, and Labor Appropriations Subcommittee;
- 181 (c) the Economic Development and Workforce Services Interim Committee; and
- 182 (d) the Retirement and Independent Entities Interim Committee.

- 183 (2) The annual report shall:
- 184 (a) be designed to provide clear, accurate, and accessible information to the public, the
185 governor, and the Legislature;
- 186 (b) include a copy of the annual audit required under Section 63N-20-402;
- 187 (c) describe the policies adopted by the board under Subsection 63N-20-203(1)(b);
- 188 (d) include detailed information regarding:
- 189 (i) the name and location of each qualified business that received capital from the Utah
190 innovation fund;
- 191 (ii) the amount of each qualified investment made by the Utah innovation fund;
- 192 (iii) the aggregate amount of capital provided to qualified businesses;
- 193 (iv) realized gains from qualified investments and any realized losses; and
- 194 (v) unrealized gains and any unrealized losses based on the net present value of
195 ongoing qualified investments;
- 196 (e) include detailed information regarding the innovation lab's yearly expenditures,
197 including:
- 198 (i) administrative, operating, and financing expenses; and
- 199 (ii) aggregate compensation information for full-time and part-time employees,
200 including benefit and travel expenses;
- 201 (f) include detailed information regarding all funding sources for administrative,
202 operating, and financing expenses, including any fees charged by the innovation lab to the Utah
203 innovation fund under Subsection 63N-20-201(4)(g); and
- 204 (g) include an explanation of the Utah innovation fund's progress in achieving the
205 purposes described in Subsection 63N-20-301(2).
- 206 Section 7. Section **63N-20-402** is enacted to read:
- 207 **63N-20-402. Annual audit.**
- 208 (1) Each calendar year, an audit of the activities of the Utah innovation fund shall be
209 conducted by:
- 210 (a) the state auditor; or
- 211 (b) an independent auditor engaged by the state auditor.
- 212 (2) An independent auditor described in Subsection (1)(b) may not have a business,
213 contractual, or other connection to the innovation lab or the Utah innovation fund.

- 214 (3) The annual audit shall:
- 215 (a) include a valuation of the assets owned by the Utah innovation fund as of the end of
- 216 the reporting year, using market-standard techniques for assets typically held by early stage
- 217 private investment and venture capital funds;
- 218 (b) include an opinion regarding the accuracy of the information provided in the annual
- 219 report described in Section 63N-20-401; and
- 220 (c) on or before September 1, be delivered to:
- 221 (i) the innovation lab; and
- 222 (ii) the state treasurer.
- 223 (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:

Utah Innovation Lab

\$15,000,000

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