

**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

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**LONG TITLE**

**General Description:**

This bill enacts the Utah Innovation Lab Act.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ establishes 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 and duties, and provides certain limits on board members;
- ▶ requires the innovation lab to organize and administer the Utah innovation fund, a limited liability company, for purposes of investing in businesses developed in the state through technology commercialization;
- ▶ provides for the Utah innovation fund's powers and duties; 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:



26 • from General Fund Restricted -- Utah Capital Investment Restricted Account,  
27 \$15,000,000.

28 **Other Special Clauses:**

29 None

30 **Utah Code Sections Affected:**

31 ENACTS:

32 [63N-20-101](#), Utah Code Annotated 1953

33 [63N-20-201](#), Utah Code Annotated 1953

34 [63N-20-202](#), Utah Code Annotated 1953

35 [63N-20-203](#), Utah Code Annotated 1953

36 [63N-20-301](#), Utah Code Annotated 1953

37 [63N-20-401](#), Utah Code Annotated 1953

38 [63N-20-402](#), Utah Code Annotated 1953



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

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

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

43 **Part 1. General Provisions**

44 **63N-20-101. Definitions.**

45 As used in this chapter:

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

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

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

50 (a) is established to commercialize a technology, product, or service developed through  
51 a technology commercialization program at an institution of higher education described in  
52 Section [53B-1-102](#); 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, administer, and receive investment returns from  
70 the Utah innovation fund.

71 (4) The innovation lab may:

72 (a) engage consultants and legal counsel;

73 (b) invest and expend funds;

74 (c) enter into contracts;

75 (d) insure against loss;

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

77 investments;

78 (f) hire employees;

79 (g) charge a fee on assets under management in the Utah innovation fund to pay for

80 reasonable and necessary costs of the innovation lab, including the costs of the annual audit

81 required under Section [63N-20-402](#); and

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

83 (5) The innovation lab may not:

84 (a) issue debt or borrow funds;

85 (b) exercise governmental functions;

86 (c) have members; or

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

88 state.

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

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

92 **63N-20-202. Board of directors -- Membership -- Limitations.**

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

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

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

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

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

103 (d) the chief executive officer of World Trade Center Utah or the chief executive  
104 officer's designee; and

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

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

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

109 (ii) may serve more than one term.

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

113 (4) (a) The board may appoint up to two additional nonvoting members to provide  
114 industry and technical expertise.

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

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

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

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

122 (7) A member of the board:

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

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

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

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

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

130 **63N-20-203. Board duties and powers.**

131 (1) The board shall:

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

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

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

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

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

140 **Part 3. Utah Innovation Fund**

141 **63N-20-301. Organization of Utah innovation fund -- Powers and purposes -- Use**  
142 **of investment proceeds.**

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

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

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

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

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

- 150 (c) to help qualified businesses gain access to capital;
- 151 (d) to attract entrepreneurs and innovation to Utah;
- 152 (e) to advance the competitiveness of Utah businesses in the global economy; and
- 153 (f) to ensure that the Utah innovation fund remains financially self-sustaining.
- 154 (3) The Utah innovation fund shall hold and manage qualified investments made by the
- 155 Utah innovation fund and the proceeds of those qualified investments.

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

- 158 (a) new investments of capital in qualified businesses; or
- 159 (b) fees charged by the innovation lab to the Utah innovation fund under Subsection
- 160 [63N-20-201\(4\)\(g\)](#).

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

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

163 **63N-20-401. Annual report.**

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

- 167 (a) the governor;
- 168 (b) the Business, Economic Development, and Labor Appropriations Subcommittee;
- 169 (c) the Economic Development and Workforce Services Interim Committee; and
- 170 (d) the Retirement and Independent Entities Interim Committee.

171 (2) The annual report shall:

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

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

175 (c) describe the policies adopted by the board under Subsection [63N-20-203\(1\)\(b\)](#);

176 (d) include detailed information regarding:

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

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

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

- 181 (iv) realized gains from qualified investments and any realized losses;  
182 (v) unrealized gains and any unrealized losses based on the net present value of  
183 ongoing investments; and  
184 (vi) the total number of full-time and part-time employment positions created in the  
185 state by qualified businesses that received capital from the Utah innovation fund;  
186 (e) include detailed information regarding the innovation lab's yearly expenditures,  
187 including:  
188 (i) administrative, operating, and financing expenses; and  
189 (ii) aggregate compensation information for full-time and part-time employees,  
190 including benefit and travel expenses;  
191 (f) include detailed information regarding all funding sources for administrative,  
192 operating, and financing expenses, including any fees charged by the innovation lab to the Utah  
193 innovation fund under Subsection 63N-20-201(4)(g); and  
194 (g) include an explanation of the Utah innovation fund's progress in achieving the  
195 purposes described in Subsection 63N-20-301(2).
- 196 Section 7. Section **63N-20-402** is enacted to read:  
197 **63N-20-402. Annual audit.**  
198 (1) Each calendar year, an audit of the activities of the Utah innovation fund shall be  
199 conducted by:  
200 (a) the state auditor; or  
201 (b) an independent auditor engaged by the state auditor.  
202 (2) An independent auditor described in Subsection (1)(b) may not have a business,  
203 contractual, or other connection to the innovation lab or the Utah innovation fund.  
204 (3) The annual audit shall:  
205 (a) include a valuation of the assets owned by the Utah innovation fund as of the end of  
206 the reporting year;  
207 (b) include an opinion regarding the accuracy of the information provided in the annual  
208 report described in Section 63N-20-401; and  
209 (c) on or before September 1, be delivered to:  
210 (i) the innovation lab; and  
211 (ii) the state treasurer.

212 (4) The innovation lab shall pay the costs associated with the annual audit.

213 Section 8. **Appropriation.**

214 The following sums of money are appropriated for the fiscal year beginning July 1,  
215 2023, and ending June 30, 2024. These are additions to amounts previously appropriated for  
216 fiscal year 2024. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures  
217 Act, the Legislature appropriates the following sums of money from the funds or accounts  
218 indicated for the use and support of the government of the state of Utah.

219 ITEM 1

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

221 From General Fund Restricted -- Utah Capital Investment Corporation

222 Restricted Account, One-time 15,000,000

223 Schedule of Programs:

224 Utah Innovation Lab 15,000,000

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