

(Reprinted with amendments adopted on April 19, 2021)

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.

~

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:

Existing law establishes the Knowledge Account, containing money which may be used to fund a program for the development and commercialization of research and technology at the University of Nevada, Las Vegas, the University of Nevada, Reno, and the Desert Research Institute. (NRS 231.1591-231.1597) **Sections 1-7** of this bill redesignate the Knowledge Account as the Nevada Innovation Account.

Existing law authorizes the Executive Director of the Office of Economic Development to allocate money in the Knowledge Account among certain entities to support commercialization and technology transfer to the private sector. (NRS 231.1592) **Section 2** of this bill instead authorizes the Executive Director to establish one or more competitive grant programs to address market gaps in the development of technology in this State, to facilitate the operation of the



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

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

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

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

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

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

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

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

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

2. "*Private entity*":



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

(b) Does not include a sole proprietorship.

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

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

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

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

2. The interest and income earned on:

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

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

➡ must be credited to the ~~[Knowledge]~~ Nevada Innovation Account.

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

4. The Executive Director:

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

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

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

(1) Are designed to:



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

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

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

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

(3) Offer grants on a competitive basis to:

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

(II) Private entities; or

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

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

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

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

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

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



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

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

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

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

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

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

(a) The proposed use of the money;

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

(c) The expected benefits of the money; and

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) *Establish a small business research and innovation and 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.

