
SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair
2015 - 2016 Regular

Bill No: AB 2664
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Urgency: No
Consultant: Olgalilia Ramirez
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Fiscal: Yes

Subject: University of California: innovation and entrepreneurship expansion

SUMMARY

This bill requires the University of California (UC) to make one-time expenditures, with funds appropriated in Budget Act of 2016, for activities to expand or accelerate economic development in the state in ways that are aligned with efforts to support innovation and entrepreneurship.

BACKGROUND

The California Constitution establishes the UC, a public trust to be administered by the Regents of the UC and grants the Regents full powers of organization and government, subject only to such legislative control as may be necessary to insure security of its funds, compliance with the terms of its endowments, statutory requirements around competitive bidding and contracts, sales of property and the purchase of materials, goods and services. (Article IX, Section (9)(a) of the California Constitution)

Existing law establishes the Donahoe Higher Education, setting forth the mission and function of the University of California designates, among other things, UC as the primary state-supported academic agency for research. (EC § 66010.4)

ANALYSIS

This bill requires the UC to make one-time expenditures, with funds appropriated in the Budget Act of 2016, for activities to expand or accelerate economic development in the state in ways that are aligned with efforts to support innovation and entrepreneurship. Specifically it:

- 1) Identifies a specific funding source in the Budget Act of 2016 and allocates \$2 million from that source to each of the 10 campuses of the UC.
- 2) Requires the Regents of the UC to designate an external advisory body, whose members have demonstrated expertise innovation and entrepreneurship, to encourage the effective use of specified funds through planning and oversight. The external advisory body must notify the Director of Finance and the Legislature of its intent to certify, no fewer than 10 days before providing certification.

- 3) Prohibits a campus from expending funds until the external advisory body has certified that the chancellor of the campus has demonstrated all of the following:
 - a) That the funds will be used only for the costs of activities that support the expansion or acceleration of economic development in the state benefitting entrepreneurs, such as any of the following:
 - i) Business training.
 - ii) Mentorship.
 - iii) Proof-of-concept grants.
 - iv) Work space.
 - v) Laboratory space.
 - vi) Equipment.
 - b) That funds will be spent only after the uses and beneficiaries have been determined through a transparent, inclusive and fair process.
 - c) That private funds will also be used for the specified activities, with the intent that the amount of private funds will be at least equal to the amount of state funds.
 - d) That any financial benefit that results from the use of these funds be accounted for and also used on the specified activities, as described.
 - e) That a credible plan has been developed to support any ongoing activities beyond the one-time expenditures of these funds.
- 4) Requires the University of California (UC) to report to the Department of Finance and the Legislature on or before November 30, 2017, on the specific activities at each campus as specified.
- 5) Makes various findings and declarations relative to the UC's position in addressing challenges faced by entrepreneurs that are particularly acute for underrepresented groups and the state's ability to harness the power of the UC's expertise in this field to spur economic development.
- 6) States that it is the intent of the Legislature to:
 - a) Provide one-time funds for new infrastructure at each campus.
 - b) Enhance the state's network of programs and services that support innovators, entrepreneurs, startups, investors, and industry and community partners that are locally based and committed to serving in communities across California.

- c) Generate commitments of private funds for these activities in the amount at least equal to the amount of state funds.

STAFF COMMENTS

- 1) ***Need for the bill.*** The Budget bill, SB 826 (Leno, Budget Act of 2016), provides \$22 million for innovation and entrepreneurship efforts at University of California (UC). This bill provides implementation language for that purpose. According to the author, “the goal of the funding is to aid researchers who have innovations that can be taken to market by providing the institutional resources and expertise needed to get it to the next level.” The author contends that entrepreneurship in California is declining and investments are needed in order to keep pace with the demand for innovation and entrepreneurial infrastructure, resources and support programs. This bill seeks to leverage UC research to spur economic development in the state by laying a foundation for innovation and entrepreneurship at each UC campus.

- 2) ***Related activities at University of California.***

The UC system, as the research arm of the state, has historically played a significant and foundational role within California's innovation-based industries. In 2000, the state through AB 2883 (Villaraigosa, Chapter 79, Statutes of 2000) established the California Institutes for Science and Innovation (Cal-ISIs) at the UC for the purpose of accelerating business growth in the state, developing research and innovations to meet California's needs and training future scientist. At that time, the state provided start-up funds of \$400 million for the Cal-ISIs with the UC providing a 2-to-1 match from a combination of business and federal sources. Four centers were established as a result of this investment, which include the following:

- a) *Center for Information Technology Research in the Interests of Society (CITRIS)* which is headquartered at UC, Berkeley with partnerships and collaborations to researchers at UC, Santa Cruz, UC, Davis, UC Merced and over 60 corporations. It creates information technology solutions for pressing social, environmental and healthcare problems. Research at CITRIS focuses on four core initiatives: Energy, Health Care, Intelligent Infrastructure, and Data and Democracy.
- b) *California Nanosystems Institute* at UC, Los Angeles and UC, Berkeley seeks technological breakthroughs by understanding of how to manipulate, control and manufacture at the nanometer scale. Control of material at this scale allows for compact, complex and multifunctional systems at the macro-scale that can dramatically improve present-day communications, computation, medical therapies and environmental remediation.
- c) *California Institute for Telecom and Information Technology* at UC, San Diego and UC, Irvine focuses its research on Enabling Technologies (Wireless, Photonics, Cyber infrastructure, Nanotechnology/MEMS) to

realize the goals of its socially relevant Application Thrusts (Culture, Energy, Environment, Health).

- d) *California Institute for Quantitative Biosciences (QB3)* at UC, Berkeley, UC, San Francisco, UC, Santa Cruz and UC, Davis covers the “quantitative biosciences,” meeting challenges in molecular biology using the techniques of physics, chemistry, and computer sciences. This enables UC to convert life science research into solutions for better health, a sustainable environment, and a dynamic economy. QB3 has built a matrix of support for entrepreneurs that include a renowned incubator network and a venture capital fund.

The state continues to reap the benefits of this original investment. For example the QB3 program has helped to incorporated over 250 companies, provided work space for over 100 companies and raised \$36 million in seed venture funds. In 2014, active UC startups based in California employed over 19,000 Californians and brought in more than \$14 million in revenue.

In addition to using state funds for similar activities, this bill requires UC to generate commitments of private monies and encourages that the amount of private funds match the amount of state funds.

- 3) ***Related budget activity.*** The Budget Act of 2016 includes \$22 million on a one-time basis for innovation and entrepreneurship. As noted, this bill provides implementation language for those funds.
- 4) ***Prior and related legislation.***

SB 826 (Leno, Budget Act of 2016) provides \$22 million in a one-time basis for innovation and entrepreneurship programs pursuant to legislation enacted in the 2015–16 legislative session.

AB 2883 (Villaraigosa, Chapter 79, Statutes of 2000) authorized the University of California and established three, competitively bid, California Institutes for Science and Innovation, which would be devoted to basic and applied cross-disciplinary research, focusing on problems of significant scale and on scientific advances that may provide the underpinnings of future economic activity in California.

SUPPORT

California Chamber of Commerce
 California Manufacturer and Technology Association
 Computing Technology Industry Association (CompTIA)
 Late Tahoe South Shore Chamber of Commerce TechNet
 University of California

OPPOSITION

None received.

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