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# VIRGINIA STATE BUDGET

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2017 Session

## Budget Bill - HB1500 (Chapter 836)

Bill Order » Office of Technology » Item 428

Innovation and Entrepreneurship Investment Authority

Item 428	First Year - FY2017	Second Year - FY2018
<b>Economic Development Services (53400)</b>	<b>\$11,538,090</b> <b>\$11,113,668</b>	<b>\$11,438,097</b> <b>\$11,187,740</b>
Technology Entrepreneurial Development Services (53415)	\$5,120,771 \$4,696,349	\$4,620,778
Commonwealth Technology Policy Services (53416)	\$44,392	\$44,392
Technology Industry Development Services (53419)	\$2,112,511	<del>\$2,362,511</del> \$2,112,154
Technology Industry Research and Developmental Services (53420)	\$4,260,416	\$4,410,416
Fund Sources:		
General	\$11,538,090 \$11,113,668	\$11,438,097 \$11,187,740

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Authority: Title 2.2, Chapter 22, Code of Virginia, and Discretionary Inclusion.

A.1. The appropriation in this Item shall be used for the purpose of and in accordance with the terms and conditions specified in Title 2.2, Chapter 22, Code of Virginia.

2. Out of the amounts appropriated for the Innovation and Entrepreneurship Investment Authority, \$50,000 the first year and \$50,000 the second year from the general fund shall be used to maintain the Commonwealth Innovation and Entrepreneurship Measurement System which measures activities worthy of economic development and institutional focus in furtherance of the Commonwealth Research and Development Roadmap.

B. The Innovation and Entrepreneurship Investment Authority is hereby authorized to transfer funds in this appropriation to the Center for Innovative Technology to expend said funds for realizing the statutory purposes of the Authority, by contracting with governmental and private entities, notwithstanding the provisions of § 4-1.05 b of this act.

C. This appropriation shall be disbursed in twelve equal monthly installments each fiscal year.

D.1. No later than July 15 of each year, the Innovation and Entrepreneurship Investment Authority shall provide to the Chairmen of the House Appropriations and Senate Finance Committees, Secretary of Technology, and the Director, Department of Planning and Budget, a report of its operating plan for each year of the biennium. No later than September 30 of each year, the center shall submit to the same entities a detailed expenditure report for the concluded fiscal year. Both reports shall be prepared in the formats as approved by the Director, Department of Planning and Budget and include, but not be limited to the following:

a. All planned and actual revenue and expenditures along with funding sources, including state, federal, and other revenue sources of both the Innovation and Entrepreneurship Investment Authority and the Center for Innovative Technology;

- b. A listing of the salaries, bonuses, and benefits of all employees of the Innovation and Entrepreneurship Investment Authority and the Center for Innovative Technology;
- c. By program, total grants made and investments awarded for each grant and investment program, to include the Commonwealth Research Commercialization Fund;
- d. By program, a report of the projected economic impact on the Commonwealth and recoveries of previous grants or investments and sales of equity positions; and
- e. Cash balances by funding source, and a report, by program, of available, committed and projected expenditures of all cash balances.

2. The President of the Center shall report quarterly to the Center's board of directors, and the Chairmen of the House Appropriations and Senate Finance Committees, Secretary of Technology, and the Director, Department of Planning and Budget in a format approved by the Board the following:

- a. The quarterly financial performance, determined by comparing the budgeted and actual revenues and expenditures to planned revenues and expenditures for the fiscal year;
- b. All investments and grants executed compared to projected investment closings, return on prior investments and grants, including all gains and losses; and
- c. The financial and programmatic performance of all operating entities owned by the Center.

E. As part of its mission to foster technological innovation in the Commonwealth, the Innovation and Entrepreneurship Investment Authority is encouraged to include in its activities Virginia private research universities.

F.1. The Center for Innovative Technology shall continue to support efforts of public and quasi-public bodies within the Commonwealth to enhance or facilitate the prompt availability of and access to advanced electronic communications services, commonly known as broadband, throughout the Commonwealth, monitoring trends and advances in advanced electronic communications technology to plan and forecast future needs for such technology, and identify funding options.

2. Out of the amounts appropriated in this Item, \$500,000 the first year and \$500,000 the second year from the general fund shall be used to support broadband planning and assistance to localities. The Center for Innovative Technology shall provide technical assistance to localities where wired broadband services are not currently available, or where under-served communities have been identified, in order to assist those localities in determining the issues, business practices, and vendor requirements, including an assessment of the existing technologies, for the provision of broadband services to their citizens.

G. The General Assembly supports the Innovation and Entrepreneurship Investment Authority's stated mission to enhance federal research funding to Virginia's colleges and universities and to industry. It is also the intent of the General Assembly to promote a greater reliance by the authority on nongeneral fund revenues for the authority's operations and programs.

H. Notwithstanding any other provision of law, any interest earned on moneys in the Advanced Communications Assistance Fund, as well as any moneys remaining in the fund at the end of each fiscal year, including interest thereon, shall be reverted to the general fund.

I. A total of ~~\$3,100,000~~ \$2,875,596 the first year and \$3,100,000 the second year from the general fund shall be

allocated to the Commonwealth Growth Accelerator Program fund to foster the development of Virginia-based technology, biosciences, and energy companies. ~~This funding shall be used to underwrite immediate first financing for new early-stage companies and achieve an average rate of return of not less than 11:1.~~ *This funding shall be used to underwrite early stage financing for new companies with the goal of achieving an average 11:1 private to public investment ratio.*

J.1. Out of this appropriation, \$500,000 the first year and \$500,000 the second year from the general fund is provided to support the advancement of unmanned systems companies and development of the unmanned systems industry in the Commonwealth.

2. In addition to the amounts set forth in paragraph J.1., \$350,000 the first year and \$500,000 the second year from the general fund shall be made available for the establishment of an Unmanned Aerial Systems Commercial Center of Excellence and business accelerator in collaboration with the Mid-Atlantic Aviation Partnership and the Virginia Commercial Spaceflight Authority for (i) the development of a strategic plan and roadmap for the recruitment and expansion of commercial UAS entities, and (ii) advancing collaborative public-private UAS partnerships across the Commonwealth at the direction of the Secretary of Technology.

K. Out of the appropriation for this Item, \$500,000 the first year and ~~\$500,000~~ \$400,000 the second year from the general fund shall support the Virginia Cyber Security Commission and its recommendations.

L.1. Included in this Item is \$250,000 in the first year and \$500,000 in the second year from the general fund to support the creation of an Information Sharing and Analysis Organization in Virginia.

2. No later than November 1, 2016, the Virginia Cyber Security Commission shall provide to the Chairmen of the House Appropriations and Senate Finance Committees, the Secretary of Finance, and the Director of Planning and Budget, a report detailing the development and implementation of an Information Sharing and Analysis Organization (ISAO) in Virginia. The report shall include, but not be limited to, defined roles and responsibilities of members, development of a long-term sustainable funding model, technical means for information sharing among members, and potential growth opportunities the ISAO could seek once information sharing is fully established.

M. Notwithstanding the definition of qualifying institutions in § [2.2-2233.1](#), Code of Virginia, a university research consortium that includes Virginia colleges and university member institutions is a qualifying institution for purposes of seeking funding from the Commonwealth Research Commercialization Fund.

N. Any proceeds from the sale of equity in companies that participated in the cyber security accelerator shall not revert to the general fund but shall be used to support the accelerator program.

O. By September 1 each year, the President of the Innovation and Entrepreneurship Investment Authority shall report to the Chairmen of the House Appropriations and Senate Finance Committees, Secretary of Technology, and to the Director, Department of Planning and Budget on program activities including, but not limited to the following:

1. For activities associated with providing localities with broadband assistance: (i) the number of localities assisted by state and other broadband funding sources and (ii) the estimated number of households and localities with populations lacking wired broadband access;

2. For activities associated with the Growth Accelerator Program (GAP): (i) the number of companies receiving investments from the fund, (ii) the state investment and amount of privately leveraged investments per company, (iii) the estimated number of jobs created, (iv) the estimated tax revenue generated, (v) the number of companies who have received investments from the GAP fund still operating in Virginia, (vi) return on investment, to include the value of proceeds from the sale of equity in companies that received support from the program and economic

benefits to the Commonwealth, (vii) the number of state investments that failed and the state investment associated with failed investments, and (viii) the number of new companies created or expanded and the number of patents filed; and

3. For activities associated with the cyber security accelerator: (i) the number of companies assisted and the number of startups successfully launched through the cyber accelerator program, (ii) the number of companies operating in Virginia as a result of the program, (iii) estimated number of jobs created, (iv) the value of proceeds from the sale of equity in companies that received capital support from the program, (v) the number of state investments that failed and the state investment associated with failed investments, and (vi) the number of new companies created or expanded and the number of patents filed.

4. Such report shall include the prior fiscal year outcomes as well as the outcomes of each program since inception. In addition, the report shall also include program changes anticipated in the subsequent fiscal year.

P.1. Pursuant to § 3-2.03 of this act, a line of credit up to \$2,500,000 shall be provided to the Innovation and Entrepreneurship Investment Authority as a temporary cash flow advance. The Innovation and Entrepreneurship Investment Authority shall transfer such related funds to the Center for Innovative Technology as a temporary cash advance to be repaid by June 30 of each fiscal year. Funds received from the line of credit shall be used only to support operational costs in anticipation of receiving reimbursement of said expenditures from signed contracts and grant awards. The request for the line of credit shall be prepared in the formats as approved by the Secretary of Finance and Secretary of Technology.

2. The Secretary of Finance and Secretary of Technology shall approve the draw downs from this line of credit prior to the expenditure of funds.

Q.1. The Innovation and Entrepreneurship Investment Authority shall continue to manage and maintain the Mid-Rise Building located at the Center for Innovative Technology Complex at 2214 Rock Hill Road, Herndon, Virginia, unless otherwise directed by the Governor.

2. The Authority shall ensure building maintenance meets the standards of the Virginia Maintenance Code 2012, remains at a level to satisfy existing lease agreements, and meets metropolitan Class B office standards.

3. Consistent with the transfer of ownership of the Mid-Rise Building to the Department of General Services directed in Item 78 D of this act, the Innovation and Entrepreneurship Investment Authority shall make all records and information related to the Mid-Rise Building available to the Department of General Services. The Authority shall also provide any other information requested by the Department of General Services regarding the Center for Innovative Technology Complex and any components thereof due to the nature of the Mid-Rise Building's shared infrastructure and interconnection to other components of the Complex. Notwithstanding § 2.2-2221, Code of Virginia, or any other provision of law, the Center for Innovative Technology Complex, consisting of property located at 2214 and 2205 Rock Hill Road, Herndon, Virginia, shall be subject to the provisions of §§ 2.2-1150 through 2.2-1158, Code of Virginia.

R. Out of the amounts appropriated in this Item, \$500,000 from the general fund the first year is provided for the continued support of the MACH 37 Cyber Accelerator program. Use of these funds to support the program is contingent on the operating plan report required in paragraph D of this Item clearly demonstrating that Authority has developed a financial plan to ensure that the appropriation included in the Item in the 2016 Appropriation Act is sufficient to support the authority's operations.

S. Effective July 1, 2016, any form of proposed increase in employee compensation above the base salaries of employees, including one-time bonuses, except for salary adjustments explicitly authorized in this Act, must be communicated to the Director, Department of Planning and Budget, and the Staff Directors of the House Appropriations Committee and the Senate Finance Committee, more than ninety days in advance of effectuating

such increase.

T.1. Out of the appropriation for this Item, ~~\$2,800,000~~ \$2,599,982 the first year and \$2,800,000 the second year from the general fund shall be deposited into the Commonwealth Research Commercialization Fund created pursuant to § 2.2-2233.1, Code of Virginia. These funds shall not be subject to the equal monthly disbursement requirements provided in paragraph C. of this Item but shall be disbursed as provided for in paragraphs T.2. through T.5. below.

2. Of the amounts provided for the Commonwealth Research Commercialization Fund in paragraph T.1., up to \$1,500,000 the first year and \$1,500,000 the second year shall be used for a Small Business Innovation Research Matching Fund Program for Virginia-based technology businesses and, for matching funds for recipients of federal Small Business Technology Transfer (STTR) awards for Virginia-based small businesses. Any monies from these amounts that have not been allocated at the end of each fiscal year shall not revert to the general fund but shall be distributed for other purposes designated by the Research and Technology Investment Advisory Committee and aligned with the Research and Technology Strategic Roadmap.

3.a. Businesses meeting the following criteria shall be eligible to apply for an award to be administered by the Research and Technology Investment Advisory Committee:

- (i). The applicant has received an STTR award targeted at the development of qualified research or technologies;
- (ii). At least 51 percent of the applicant's employees reside in Virginia; and
- (iii). At least 51 percent of the applicant's property is located in Virginia.

b. Applicants shall be eligible for matching grants of up to \$100,000 for Phase I awards and up to \$500,000 for Phase II awards. All applicants shall be required to submit a commercialization plan with their application. Any unused funds shall not revert to the general fund but shall remain in the Commonwealth Research and Commercialization Fund. Notwithstanding the provisions of § 2.2-2233.1 ~~D-6~~, Code of Virginia, unused funding from the Fund shall be awarded as originally intended by the Research and Technology Investment Advisory Committee and only reallocated if sufficient demand does not exist for the original allocation.

4. Prior to disbursement of these funds to the Authority, the Innovation and Entrepreneurship Investment Authority shall certify that the awards have been made in compliance with the requirements set forth in § 2.2-2233.1, Code of Virginia, and in a format approved by the Director, Department of Planning and Budget.

5. Notwithstanding § 2.2-2233.1, Code of Virginia, Commonwealth Research Commercialization Fund awards authorized for payment shall be disbursed to the Innovation and Entrepreneurship Investment Authority as provided in paragraph T.4. of this item in addition to the monthly payments as provided in paragraph C of this item. Any funds not expensed in accordance with the award shall be remitted by the Authority to the state treasury and deposited to the Commonwealth Research Commercialization Fund.

U. 1. Notwithstanding § 2.2-2221, Code of Virginia, the General Assembly finds real property and the improvements thereon to be surplus to the needs of the Commonwealth; specifically, real property and improvements located in Loudoun County (Parcel 035-26) and Fairfax County (Parcels 0152-01-0015 and 0152-01-0017). The Department of General Services shall pursue and is authorized to execute disposal options, with the approval of the Governor, in accordance with § 2.2-1156, Code of Virginia.

2. The Innovation and Entrepreneurship Investment Authority and the Center for Innovative Technology shall promptly respond to requests for information and provide other assistance as requested by the Department of General Services and other state agencies as necessary to comply with the requirements set forth in § 2.2-1156, Code of Virginia, shall make all records related to the property readily available to the Department of General

Services, and shall provide the Department of General Services access to the property. Further, the Innovation and Entrepreneurship Investment Authority shall continue to manage the property in the best interests of the Commonwealth until the property is sold to the successful purchaser. The Innovation and Entrepreneurship Investment Authority shall not convey any interest or allow any new use without the recommendation of the Department of General Services and approval of the Governor or his designee.

3. The Innovation and Entrepreneurship Investment Authority shall provide monthly reports to the Department of General Services of income and expenses associated with the property. The Department of General Services shall provide quarterly reports to the Chairmen of the House Appropriations and Senate Finance Committees and to the Governor on the Department's progress to determine disposal options of the parcels, beginning with the initial report due October 1, 2016.

4. Costs incurred by the Department of General Services to carry out the direction in this item shall be accounted for separately from other Department operations and shall be reimbursed from the proceeds of the sale of the property.

5. The remaining proceeds of the sale shall be deposited to the nonreverting Virginia Research Investment Fund established pursuant to House Bill 1343 of the 2016 General Assembly for the express purpose of promoting research and development excellence in the Commonwealth; positioning the Commonwealth as a national leader in science-based and technology-based research, development, and commercialization; and encouraging cooperation and collaboration among higher education research institutions, and with the private sector, in areas and with activities that foster economic development and job creation in the Commonwealth, with particular emphasis on personalized health, biosciences, data analytics, and cybersecurity. Such proceeds shall herein be appropriated to the portion of the Fund designated for investment, reinvestment and management by the Board of the Virginia Retirement System as provided in § 51.1-124.38, Code of Virginia.

*V. The Center for Innovative Technology shall not charge indirect costs, including but not limited to, allocating administrative staff and overhead costs against the Innovation and Entrepreneurship Measurement System, broadband, unmanned systems, Cyber Security Commission, and Information Sharing and Analysis Organization (ISAO), unless approved by the Governor.*