2020 Special Session I

Budget Bill - HB5005 (Enrolled)

Bill Order » Office of Commerce and Trade » Item 135

Virginia Innovation Partnership Authority

Item 135	First Year - FY2021	Second Year - FY2022
Economic Development Services (53400)	~~**$25,700,000**~~ ***$50,700,000***	**$39,700,000**
Economic Development Services (53412)	~~$25,700,000~~ *$50,700,000*	$39,700,000
Fund Sources:		
General	$25,700,000	$39,700,000
Special	*$25,000,000*	*$0*

Authority: Discretionary Inclusion.

A. The appropriation in this item shall be used for the purpose of and in accordance with the terms and conditions specified in legislation to be considered by the 2020 General Assembly to establish the Virginia Innovation Partnership Authority to serve as a consolidated entity for innovation and new technology-based economic development in the Commonwealth. When viewed holistically, the activities, programs, and centers of excellence of the Virginia Innovation Partnership Authority within this item shall focus on outcomes of job creation, new company formation, investment in applied research projects, and capital investment in Virginia companies.

B. The Virginia Innovation Partnership Authority (VIPA) is hereby authorized to transfer funds in this appropriation to an established managing non-profit 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 disbursements each fiscal year. The Director, Department of Planning and Budget, may authorize an increase in disbursements for any month not to exceed the total appropriation for the fiscal year if such an advance is necessary to meet payment obligations.

D.1. No later than June 15 of each year, the Authority shall provide to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, the Secretary of Commerce and Trade, 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 Authority 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 Authority and the managing non-profit entity;

b. By activity or program, total grants made and investments awarded for each grant and investment program;

c. By activity or program, recoveries of previous grants or investments and sales of equity positions;

d. Cash balances by funding source, and a report, by program, of available, committed and projected expenditures of all cash balance; and,

e. Private investment activity related to the fund of funds established in P. of this item.

2. The President of the managing non-profit entity shall report quarterly to the entity's board of directors, and the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, the Secretary of Commerce and Trade, 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 managing non-profit entity.

d. The timeline and associated activities for the transition into the new Authority including the appointment of a new board, the development of a new brand and name, the creation of guidelines and policies for funds and divisions managed directly by VIPA, the disbursement of funds contained in this item, and other such organizational change management strategies as deemed appropriate by the Chairs of the House Appropriations Committee and Senate Finance and Appropriations Committee.

E.1. By November 1 of each year, the President of the Authority shall report to the Governor and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations, the Secretary of Commerce and Trade, and to the Director, Department of Planning and Budget, on key programs and funds managed directly by VIPA. The report shall summarize performance on the outcomes of public and private research investment in applied research projects, capital investment in Virginia companies, job creation, and new company formation.

2. To the extent possible, the annual performance report shall contain information on the metrics outlined below.

a. 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, (viii) the number of new companies created or expanded and the number of patents filed, and (ix) the geographic distribution of investments.

b. For activities associated with the Regional Innovation Fund: (i) the type and number of capacity building projects, (ii) the total state investment per project, (iii) the anticipated results of the investment, (iv) number of jobs created, (v) number of businesses founded, (vi) additional sources of investment in the projects receiving support from the fund, and (vii) the geographic distribution of the investments.

c. For activities associated with the Commonwealth Commercialization Fund: (i) the number of research grants awarded by domain area, (ii) the state investment per research project, (iii) the number of eminent researchers attracted and retained, (iv) additional research dollars leveraged as a result of the state investment, (v) number of new products completed/released to production, (vi) start-ups created from the research investment, (vii) new licenses granted to companies within Virginia, (viii) new licenses granted to companies outside Virginia, and (ix)

the geographic distribution of the investments.

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

F.1. Out of the appropriation in this item, $3,100,000 the first year and $3,100,000 the second year from the general fund shall be allocated to the Division of Investment to support the Commonwealth Growth Accelerator Program fund and other indirect investment mechanisms to foster the development of Virginia-based technology companies.

2. Funds returned, including proceeds received due to the sale of a company that previously received a GAP investment, shall remain in the program and be used to make future early stage financing investments consistent with the goals of the program. The managing non-profit may recover the direct costs incurred associated with securing the return of such funds from the moneys returned.

G. A total of $2,000,000 the first year and $2,000,000 the second year from the general fund shall be allocated to the Entrepreneurial Ecosystems Division and Regional Innovation Fund to support and promote technology-based entrepreneurial activities in the Commonwealth as specified in § 2.2-2357, Code of Virginia. Out of these amounts, $1,000,000 the first year and $1,000,000 the second year shall be used to co-fund entrepreneurial ecosystem projects identified by the Virginia Initiative for Growth and Opportunity in Each Region (GO Virginia) Board.

H. A total of $5,000,000 the second year from the general fund shall be allocated to the Commonwealth Commercialization Fund to foster innovative and collaborative research, development, and commercialization efforts in the Commonwealth in projects and programs with a high potential for economic development and job creation as specified in § 2.2-2359, Code of Virginia.

I. A total of $1,000,000 the first year and $1,000,000 the second year from the general fund shall be allocated to the Technology Industry Development Services to support strategic initiatives to advance the Authority's public purpose. These initiatives may include: (i) seeking, or supporting others in seeking, federal grants, contracts, or other funding sources; (ii) assuming responsibility for strategic initiatives and partnerships with federal and local governments; (iii) taking a lead role in defining, promoting, and implementing policies that advance innovation and entrepreneurial activity; and (iv) contracting with federal and private entities to further innovation, commercialization, and entrepreneurship in the Commonwealth.

J. Out of the appropriation in this item, $1,000,000 the first year and $1,000,000 the second year from the general fund shall be made available for the Virginia Center for Unmanned Systems. The Center shall serve as a catalyst for growth of unmanned and autonomous systems vehicles and technologies in Virginia. The Center will establish collaboration between businesses, investors, universities, entrepreneurs and government organizations to increase the Commonwealth's position as a leader of the Autonomous Systems community.

K.1. Out of the appropriation in this item, $3,750,000 the first year and $3,750,000 the second year from the general fund *and $5,000,000 the first year from nongeneral funds* shall be provided for the Virginia Biosciences Health Research Corporation (VBHRC), a non-stock corporation research consortium initially comprised of the University of Virginia, Virginia Commonwealth University, Virginia Polytechnic Institute and State University, George Mason University and the Eastern Virginia Medical School. The consortium will contract with private entities, foundations and other governmental sources to capture and perform research in the biosciences, as well as promote the development of bioscience infrastructure tools which can be used to facilitate additional research activities. The Department of Planning and Budget is authorized to provide these funds to the non-stock corporation research consortium referenced in this paragraph upon request filed with the Department of Planning and Budget by VBHRC.

2. Of the amounts provided in K.1. for the research consortium, up to $3,750,000 the first year and $3,750,000 the second year may be used to develop or maintain investments in research infrastructure tools to facilitate bioscience research.

3. The remaining funding shall be used to capture and perform research in the biosciences and must be matched at least dollar-for-dollar by funding provided by such private entities, foundations and other governmental sources. No research will be funded by the consortium unless at least two of the participating institutions, including the five founding institutions and any other institutions choosing to join, are actively and significantly involved in collaborating on the research. No research will be funded by the consortium unless the research topic has been vetted by a scientific advisory board and holds potential for high impact near-term success in generating other sponsored research, creating spin-off companies or otherwise creating new jobs. The consortium will set guidelines to disburse research funds based on advisory board findings. The consortium will have near-term sustainability as a goal, along with corporate-sponsored research gains, new Virginia company start-ups, and job creation milestones.

4. Other publicly-supported institutions of higher education in the Commonwealth may choose to join the consortium as participating institutions. Participation in the consortium by the five founding institutions and by other participating institutions choosing to join will require a cash contribution from each institution in each year of participation of at least $50,000.

5. Of these funds, up to $500,000 the first year and $500,000 the second year may be used to pay the administrative, promotional and legal costs of establishing and administering the consortium, including the creation of intellectual property protocols, and the publication of research results.

6. VHBRC, in consultation with the publicly-supported institutions of higher education in the Commonwealth participating in the consortium, shall provide to the Secretary of Commerce and Trade, the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, the Director of the Department of Planning and Budget, and VIPA by October 1 of each year a written report summarizing the activities of the consortium, including, but not limited to, a summary of how any funds disbursed to the consortium during the previous fiscal year were spent, and the consortium's progress during the fiscal year in expanding upon existing research opportunities and stimulating new research opportunities in the Commonwealth.

7. The accounts and records of the consortium shall be made available for review and audit by the Auditor of Public Accounts upon request.

8. Up to $2,500,000 of the funds managed by the Commonwealth Health Research Board (CHRB), created pursuant to § 32.1-162.23, Code of Virginia, shall be directed toward collaborative research projects, approved by the boards of the VBHRC and CHRB, to support Virginia's core bioscience strengths, improve human health, and demonstrate commercial viability and a high likelihood of creating new companies and jobs in Virginia.

9.a. The VBHRC shall administer a one-time grant program designed to support the acceleration of clinical testing of a therapeutic drug that treats clinical symptoms caused by COVID-19. VBHRC shall consult with subject matter experts in the healthcare industry or academia to develop criteria for awarding funds provided in paragraph P.3. of this item. At a minimum, these criteria must include: (i) the company was founded in and is headquartered in Virginia; and (ii) the company is actively conducting a Phase 1 or Phase 2 clinical trial of a therapeutic drug approved by the United States Food and Drug Administration ("FDA") to treat life-threatening symptoms caused by COVID-19. In awarding these funds, the board of directors of the VBHRC may waive the requirements that (i) two of the participating institutions are actively and significantly involved in collaborating on the research, and (ii) funding be matched at least dollar-for-dollar by funding provided by private entities, foundations and other governmental sources.

b. In awarding these funds, VBHRC may, in consultation with the President and CEO of the Virginia Innovation Partnership Authority's managing nonprofit, the Center for Innovative Technology, and individuals with

investment expertise in the area of pharmaceutical drug development: (i) require the grantee to offer to conduct subsequent clinical trials of its drug in hospitals located in Virginia, provided the hospitals have the capacity to participate in the trial in a timely manner that is consistent with and does not delay the company's clinical trial schedule; (ii) require the grantee to give a preference to qualified Virginia pharmaceutical manufacturers for production of the grantee's COVID-19 therapeutic drug, provided the manufacturers have the capacity to produce the drug in a timely manner that is consistent with and does not delay the company's production schedule; and, (iii) seek a reasonable amount of equity interest in the grantee company in return for the grant.

L.1. Out of the appropriation in this item, $1,925,000 the first year and $925,000 the second year from the general fund shall be made available to the Commonwealth Center for Advanced Manufacturing (CCAM) for rent, operating support, and maintenance. These funds shall not revert back to the general fund at the end of the fiscal year.

2. Out of the appropriation in this item, VIPA shall provide $1,100,000 the first year and $1,100,000 the second year from the general fund to CCAM for the purpose of providing private sector incentive grants to industry members of the CCAM as follows: (i) incentive grants for new industry members with no prior membership at CCAM; (ii) incentive grants to small manufacturing members who locate their primary job center in the Commonwealth, as determined by VEDP, in order to mitigate inaugural, industry membership costs associated with joining CCAM; (iii) grants dedicated to CCAM industry members to be used exclusively for research project costs and require a minimum one-to-one match in funds to conduct additional directed research at the CCAM facility after their base amount of directed research is programmed; and (iv) grants dedicated to matching funds for the purpose of attracting federal funds for research projects related to the COVID-19 pandemic to be conducted at the CCAM facility on a one to one basis.

3. Out of the appropriation in this item, VIPA shall provide $600,000 the first year and $600,000 the second year from the general fund to CCAM for university research grants requiring a minimum one-to-one match in funds that bring in external research funds from federal or private organizations for research to be conducted at the CCAM facility. All project approvals are contingent upon each university partner entering into a memorandum of understanding (MOU) with CCAM that includes specific details about the university's anticipated commitment of financial and human resources, as well as programming and academic credentialing plans, to the CCAM facility.

4. No grant funds shall be disbursed until the conditions of paragraph L.2 of this Item have been met and approval from VIPA has been granted.

5. CCAM shall submit a report on October 1 of each year to the Secretary of Finance, Chairs of the House Appropriations and Senate Finance and Appropriations Committees, and VIPA containing a status update of all new incentive programs, including but not limited to the following: (i) MOUs it has entered into with each university partner; (ii) funds disbursed to both university and private sector partners of CCAM, as well as any other recipients; (iii) any other agreements CCAM has entered into with representatives of the public and private sectors that may impact current and future incentive fund disbursements; and (iv) any additional information requested by the Secretary of Finance, or the Chairs of the House Appropriations and Senate Finance and Appropriations Committees.

M.1. Out of the appropriation in this item, $5,000,000 the first year and $10,000,000 the second year from the general fund is provided to scale the Commonwealth Cyber Initiative (CCI) and provide resources for faculty recruiting at both the Hub, Virginia Polytechnic Institute and State University, and Node sites. The Hub and certified Node sites will have the ability to seek matching funds for faculty recruitment and support for renovations and equipment. Certified institutions shall submit their funding request application to VIPA for review and evaluation from an investment from the Commonwealth Commercialization Fund. After completing its review, VIPA shall approve or deny the request for an allocation of funds. The amounts provided in this paragraph are non-reverting and shall constitute the base budget for subsequent fiscal years.

2. Out of the appropriation in this item, $2,500,000 the first year and $7,500,000 the second year from the general

fund is provided for the leasing of space and establishment of the Hub by the anchoring institution and for the establishment of research faculty, entrepreneurship programs, student internships and educational programming, and operations of the Hub. The amounts provided in this paragraph are non-reverting and shall constitute the base budget for subsequent fiscal years.

3. CCI shall submit a report by October 1st of each year to the the Secretary of Commerce and Trade, the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, the Director of the Department of Planning and Budget, and VIPA detailing the use and leverage of the investment in this item in strengthening the state's cyber economy. The state report shall contain information on: (i) external research grants attracted to support the work of CCI, (ii) research grants awarded from the funds contained in this item, (iii) research faculty recruited, (iv) results of entrepreneurship and workforce programming, (v) collaborative partnerships and projects, (vi) correlated economic outcomes (jobs and new business formation), and (vii) the geographic distribution of awards from the funding contained in this item.

N.1. Out of this appropriation, $350,000 the first year and $350,000 the second year from the general fund is designated for the Commonwealth Center for Advanced Logistics (CCALS) to provide seed money for collaborative public sector projects with partners, such as the Port of Virginia, Department of Corrections, and the Virginia Department of Transportation.

2. CCALS shall submit a report by October 1st of each year to the Secretary of Commerce and Trade, the Chairs of the House Appropriations and Senate Finance and Appropriations Committees, the Director of the Department of Planning and Budget, and VIPA to include (i) all planned and actual revenue and expenditures along with funding sources, including state, federal, and other revenue sources for CCALS, (ii) the research activities of CCALS, and (iii) relevant economic outcomes as a result of the CCALS' work in each fiscal year.

O. Out of this appropriation, $125,000 the first year and $125,000 the second year is designated for the Virginia Academy of Engineering, Science and Medicine to provide technical assistance to VIPA.

P.1. Out of the amounts transferred to the Authority as a result of actions pursuant to Item 126.10, paragraph S.5 of the Chapter 854, 2019 Acts of Assembly, $10,000,000 the first year shall be allocated to the Commonwealth Commercialization Fund to foster innovative and collaborative research, development, and commercialization efforts in the Commonwealth in projects and programs with a high potential for economic development and job creation as specified in § 2.2-2359, Code of Virginia.

2. Out of the amounts transferred to the Authority as a result of actions pursuant to Item 126.10, paragraph S.5 of the Chapter 854, 2019 Acts of Assembly, $5,000,000 the first year shall be allocated to scale the Commonwealth Cyber Initiative (CCI) for activities at the Hub, Virginia Polytechnic Institute and State University, and Node sites and $5,000,000 the first year shall be allocated for the leasing of space and establishment of the Hub by the anchoring institution.

3. Out of the amounts transferred to the Authority as a result of actions pursuant to Item 126.10, paragraph S.5 of the Chapter 854, 2019 Acts of Assembly, $5,000,000 the first year shall be allocated to the Virginia Biosciences Health Research Corporation to administer the program outlined in paragraph K.9. of this item. The funds provided in this paragraph shall be transferred to the Virginia Biosciences Health Research Corporation within 30 days of the passage of this act.

4~~3~~. Excluding the amounts in paragraph P.1.*,* ~~and~~ P.2.*, and P.3.* of this item, any additional funds transferred to the Authority as a result of actions pursuant to Item 126.10, paragraph S.5 of the Chapter 854, 2019 Acts of Assembly may be used: (1) to enable the establishment of a fund of funds that will permit the Commonwealth to invest in one or more syndicated private investment funds; (2) to enhance direct investment programs by placing additional investments in partnership with Virginia accelerators and university technology commercialization programs; and (3) to enable the establishment of a sustainable program to enhance discovery of, and early investment in,

technologies aligned with the Virginia Innovation Index. Decisions to invest in private funds shall be subject to approval by the Board of Directors. Investments in such funds shall be monitored by the Board of Directors.

Q. Until such time the VIPA Board of Directors is fully appointed, the President and CEO of the Authority's managing nonprofit, the Center for Innovative Technology shall have the authority to approve the funds provided for centers of excellence in this item. Centers of Excellence include Virginia Center for Unmanned Systems, Virginia Biosciences Health Research Corporation, Commonwealth Center for Advanced Manufacturing, and Commonwealth Cyber Initiative.