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ASSEMBLY BILL NO. 390—ASSEMBLYMEN  
HICKEY; AND KIRKPATRICK

MARCH 18, 2013

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JOINT SPONSORS: SENATORS SMITH AND DENIS

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Referred to Committee on Taxation

SUMMARY—Revises provisions governing the Knowledge Fund.  
(BDR 18-884)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to the Knowledge Fund; requiring the Executive Director of the Office of Economic Development to create a corporation for public benefit for the purposes of administering the Knowledge Fund; establishing a board of directors to govern the Corporation; requiring the board of directors to appoint the President of the Corporation; authorizing the President, as the appointed executive head of the Corporation, to oversee the administration of the Knowledge Fund; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

1 Existing law establishes the Knowledge Fund to support commercialization and  
2 technology transfer to the private sector and requires the Executive Director of the  
3 Office of Economic Development to administer the Fund. (NRS 231.1591-  
4 231.1597) **Section 2** of this bill requires the Executive Director to create a  
5 nonprofit corporation for public benefit for the purposes of administering the  
6 Knowledge Fund in lieu of the Fund being administered by the Executive Director.  
7 **Section 2** requires that the Corporation be governed by a board of directors, and  
8 **section 3** of this bill authorizes the board of directors to appoint the President of the  
9 Corporation. **Sections 4-11** of this bill establish the duties and responsibilities of  
10 the President as the appointed executive head of the Corporation and authorize the  
11 President to perform the administrative tasks relative to the management of the  
12 Fund that are currently carried out by the Executive Director.



\* A B 3 9 0 \*

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

1       **Section 1.** Chapter 231 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2, 3 and 4 of this act.

3       **Sec. 2. 1.** *The Executive Director of the Office shall cause*  
4 *to be created a corporation for public benefit for the purposes of*  
5 *administering the Knowledge Fund. The corporation created*  
6 *pursuant to this subsection must be a corporation that is*  
7 *recognized as exempt pursuant to 26 U.S.C. § 501(c)(3).*

8       **2.** *The Corporation must be governed by a board of directors*  
9 *consisting of the following voting members:*

10       **(a)** *The President of the University of Nevada, Las Vegas;*

11       **(b)** *The President of the University of Nevada, Reno;*

12       **(c)** *The President of the Desert Research Institute;*

13       **(d)** *Seven members appointed by the Governor, each of whom*  
14 *must be engaged primarily in one of the following industries:*

15           **(1)** *Aerospace and defense;*

16           **(2)** *Logistics and operations;*

17           **(3)** *Tourism, gaming and entertainment;*

18           **(4)** *Health and medicine;*

19           **(5)** *Business and information technology ecosystems;*

20           **(6)** *Clean and renewable energy; and*

21           **(7)** *Mining, textiles and manufacturing; and*

22       **(e)** *One member from the private sector appointed by the*  
23 *Governor to serve as the chair of the board of directors.*

24       **3.** *The President shall serve as a nonvoting member of the*  
25 *board of directors.*

26       **4.** *Except as otherwise provided in this subsection, the*  
27 *members of the board of directors who are appointed pursuant to*  
28 *paragraph (d) of subsection 2 are each appointed for a term of 4*  
29 *years. The initial members of the board who are appointed*  
30 *pursuant to paragraph (d) of subsection 2 shall by lot select three*  
31 *of those members to serve an initial term of 2 years.*

32       **5.** *Vacancies in the appointed positions on the board of*  
33 *directors of the Corporation must be filled by the Governor for the*  
34 *remainder of the unexpired term.*

35       **6.** *The members of the board of directors of the Corporation*  
36 *must serve without compensation but are entitled to be reimbursed*  
37 *for actual and necessary expenses incurred in the performance of*  
38 *their duties, including, without limitation, travel expenses.*

39       **7.** *The board of directors of the Corporation shall comply*  
40 *with the provisions of:*

41       **(a)** *Chapter 281A of NRS governing ethical conduct in state*  
42 *government; and*



1       ***(b) Chapter 241 of NRS governing the meetings of state and***  
2 ***local agencies.***

3       ***8. The board of directors:***

4       ***(a) Shall meet not less than once each quarter; and***

5       ***(b) May meet at any other time pursuant to a call of the chair***  
6 ***or a majority of the members of the board.***

7       ***9. A majority of the board of directors of the Corporation***  
8 ***constitutes a quorum, and a majority of the board is required to***  
9 ***exercise any power conferred on the board.***

10       ***10. The board of directors of the Corporation shall establish***  
11 ***the salary and benefits of the President.***

12       ***Sec. 3. The President:***

13       ***1. Must be appointed by a majority of the board of directors***  
14 ***of the Corporation.***

15       ***2. Is not in the classified or unclassified service of this State.***

16       ***3. Serves at the pleasure of the board of directors, except that***  
17 ***he or she may be removed by the board only if the board finds that***  
18 ***his or her performance is unsatisfactory.***

19       ***4. Shall devote his or her entire time to the duties of his or***  
20 ***her office and shall not engage in any other gainful employment***  
21 ***or occupation.***

22       ***Sec. 4. The President, after considering any advice or***  
23 ***recommendations of the board of directors of the Corporation:***

24       ***1. Shall:***

25       ***(a) Direct and supervise the administrative and technical***  
26 ***activities of the Corporation; and***

27       ***(b) Develop and periodically revise a plan to strategically***  
28 ***allocate the money in the Knowledge Fund.***

29       ***2. May, for the purposes of carrying out the activities of the***  
30 ***Corporation:***

31       ***(a) Recruit and hire employees; and***

32       ***(b) Purchase equipment and supplies.***

33       ***Sec. 5. NRS 231.1591 is hereby amended to read as follows:***

34       ***231.1591 As used in NRS 231.1591 to 231.1597, inclusive,***  
35 ***and sections 2, 3 and 4 of this act, unless the context otherwise***  
36 ***requires:***

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

39       ***2. "Corporation" means the corporation for public benefit***  
40 ***created pursuant to section 2 of this act.***

41       ***3. "President" means the President of the Corporation.***

42       ***4. "Research universities" means the University of Nevada,***  
43 ***Las Vegas, and the University of Nevada, Reno.***



1     **Sec. 6.** NRS 231.1592 is hereby amended to read as follows:

2     231.1592 1. The Knowledge Fund is hereby created in the  
3 State Treasury.

4     2. The Knowledge Fund is a continuing fund without  
5 reversion. The interest and income earned on money in the  
6 Knowledge Fund, after deducting any applicable charges, must be  
7 credited to the Knowledge Fund.

8     3. The ~~Executive Director~~ **President**:

9     (a) Shall administer the Knowledge Fund in a manner that is  
10 consistent with the State Plan for Economic Development developed  
11 by the Executive Director pursuant to subsection 2 of NRS 231.053;

12     (b) May apply for and accept any gift, grant, donation, bequest  
13 or other source of money for deposit in the Knowledge Fund; and

14     (c) Subject to any restrictions imposed by such a grant, gift,  
15 donation or appropriation, may allocate money in the Knowledge  
16 Fund among the research universities, the Desert Research Institute,  
17 the technology outreach program established pursuant to NRS  
18 231.1596 and the technology transfer offices of the research  
19 universities and the Desert Research Institute to support  
20 commercialization and technology transfer to the private sector.

21     **Sec. 7.** NRS 231.1593 is hereby amended to read as follows:

22     231.1593 1. The ~~Executive Director~~ **President** may enter  
23 into agreements, when the ~~Executive Director~~ **President** deems  
24 such an agreement to be appropriate, with the research universities  
25 and the Desert Research Institute for the allocation of  
26 commercialization revenue between the Office, the research  
27 universities and the Desert Research Institute. Any  
28 commercialization revenue received by the Office pursuant to such  
29 an agreement must be deposited in the Knowledge Fund created by  
30 NRS 231.1592.

31     2. In consideration of the money and services provided or  
32 agreed to be provided by the Office, the research universities and  
33 the Desert Research Institute shall agree to allocate  
34 commercialization revenue in accordance with any agreement  
35 entered into pursuant to subsection 1.

36     3. As used in this section, "commercialization revenue" means  
37 dividends, realized capital gains, license fees, royalty fees and other  
38 revenues received by a research university or the Desert Research  
39 Institute as a result of commercial applications developed as a result  
40 of the programs established pursuant to NRS 231.1591 to 231.1597,  
41 inclusive, **and sections 2, 3 and 4 of this act**, less:

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

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



1     **Sec. 8.** NRS 231.1594 is hereby amended to read as follows:

2     231.1594 1. After considering the advice and  
3 recommendations of the ~~{Board,}~~ *board of directors of the*  
4 *Corporation*, the ~~{Executive-Director}~~ *President* shall establish  
5 procedures for applying for an allocation of money from the  
6 Knowledge Fund created by NRS 231.1592. The procedures must  
7 include, without limitation, a requirement that applications for  
8 allocations of money set forth:

9         (a) The proposed use of the money;

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

12        (c) The expected benefits of the money; and

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

15     2. In accordance with the procedures established pursuant to  
16 subsection 1, a research university or the Desert Research Institute  
17 may apply for an allocation of money from the Knowledge Fund.  
18 Upon receipt of an application for an allocation from the Knowledge  
19 Fund, the ~~{Executive-Director}~~ *President* shall review the  
20 application and determine whether the approval of the application  
21 would promote the economic development of this State and aid the  
22 implementation of the State Plan for Economic Development  
23 developed by the Executive Director pursuant to subsection 2 of  
24 NRS 231.053. If the ~~{Executive-Director}~~ *President* determines that  
25 approving the application will promote the economic development  
26 of this State and aid the implementation of the State Plan for  
27 Economic Development, the ~~{Executive-Director}~~ *President* may  
28 approve the application and make an allocation of money from the  
29 Knowledge Fund to the applicant.

30     3. If a research university or the Desert Research Institute  
31 receives an allocation of money from the Knowledge Fund, the  
32 money must be used for the purposes set forth in NRS 231.1597.

33     4. In making allocations of money from the Knowledge Fund  
34 created pursuant to NRS 231.1592, the ~~{Executive-Director}~~  
35 *President* must consider:

36        (a) The extent to which an allocation will promote the economic  
37 development of this State and aid the implementation of the State  
38 Plan for Economic Development developed by the Executive  
39 Director pursuant to subsection 2 of NRS 231.053; and

40        (b) Whether the research universities and the Desert Research  
41 Institute have received an equitable share of the allocations of  
42 money from the Knowledge Fund.



1       **Sec. 9.** NRS 231.1595 is hereby amended to read as follows:

2       231.1595 1. In consultation with the ~~{Board}~~ *board of*  
3 *directors of the Corporation* and the Chancellor, the ~~{Executive~~  
4 ~~Director}~~ *President* shall:

5       (a) Establish, for the programs established pursuant to NRS  
6 231.1591 to 231.1597, inclusive, *and sections 2, 3 and 4 of this act*  
7 economic development goals which are consistent with the State  
8 Plan for Economic Development developed by the Executive  
9 Director pursuant to subsection 2 of NRS 231.053 and the strategic  
10 plans of the research universities and the Desert Research Institute.

11       (b) In cooperation with the administration of the research  
12 universities and the Desert Research Institute, expand science and  
13 technology research at the research universities and the Desert  
14 Research Institute.

15       (c) ~~{Enhance technology transfer and commercialization}~~  
16 *Coordinate the existing efforts* of ~~{research and technologies~~  
17 ~~developed at}~~ the research universities and the Desert Research  
18 Institute to ~~{create}~~ *transfer technology for the purposes of*  
19 *creating* high-quality jobs and new industries in this State.

20       (d) Establish economic development objectives for the programs  
21 established pursuant to NRS 231.1591 to 231.1597, inclusive ~~{ ,~~  
22 *and sections 2, 3 and 4 of this act.*

23       (e) Verify that the programs established pursuant to NRS  
24 231.1591 to 231.1597, inclusive, *and sections 2, 3 and 4 of this act*  
25 are being enhanced by research grants and that such programs are  
26 meeting the ~~{Board's}~~ economic development objectives ~~{ }~~  
27 *established by the President.*

28       (f) Monitor all research plans that are part of the programs  
29 established pursuant to NRS 231.1591 to 231.1597, inclusive, *and*  
30 *sections 2, 3 and 4 of this act* at the research universities and the  
31 Desert Research Institute to determine that allocations from the  
32 Knowledge Fund created by NRS 231.1592 are being spent in  
33 accordance with legislative intent and to maximize the benefit and  
34 return to this State.

35       (g) Develop methods and incentives to encourage investment in  
36 and contributions to the programs established pursuant to NRS  
37 231.1591 to 231.1597, inclusive, *and sections 2, 3 and 4 of this act*  
38 from the private sector.

39       (h) Establish requirements for periodic reports from the research  
40 universities and the Desert Research Institute concerning the use of  
41 allocations from the Knowledge Fund pursuant to NRS 231.1597.  
42 The requirements must include, without limitation, a requirement  
43 that the recipient of the allocation include in such a report:



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

4 (2) Such documentation as the ~~Executive Director~~  
5 **President** deems appropriate to support the information provided in  
6 the report.

7 (i) On or before November 1, 2012, and on or before November  
8 1 of every year thereafter, submit a report to the Governor and to the  
9 Director of the Legislative Counsel Bureau for transmittal to the  
10 Interim Finance Committee, if the report is received during an odd-  
11 numbered year, or to the next session of the Legislature, if the report  
12 is received during an even-numbered year. The report must include,  
13 without limitation:

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

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

20 (3) The number of patents which have been filed as a result  
21 of the programs established pursuant to NRS 231.1591 to 231.1597,  
22 inclusive ~~§~~, **and sections 2, 3 and 4 of this act**;

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

26 (5) The amount of all grants, gifts and donations to the  
27 Knowledge Fund from public and private sources;

28 (6) The number of businesses which have been created or  
29 expanded in this State, or relocated to this State, because of the  
30 programs established pursuant to NRS 231.1591 to 231.1597,  
31 inclusive ~~§~~, **and sections 2, 3 and 4 of this act**; and

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

34 ***(j) Develop and implement a plan to track research and  
35 researchers across the Nevada System of Higher Education.***

36 ***(k) Develop and implement a plan to support expanded  
37 collaboration between the Nevada System of Higher Education  
38 and the private sector, including, without limitation:***

39 ***(1) Identifying the research and development needs of  
40 existing businesses and industries operating in this State; and***

41 ***(2) Introducing those businesses and industries to the  
42 appropriate research and development personnel and facilities at  
43 research universities and the Desert Research Institute.***

44 ***(l) Actively promote the importance of higher education with  
45 respect to the development of an innovation-based economy.***



1 (m) *Develop and implement a plan to promote interaction*  
2 *between public schools and the Nevada System of Higher*  
3 *Education for the purposes of retaining within this State students*  
4 *of exceptional academic merit.*

5 (n) *Develop and implement a plan to provide incentives to*  
6 *faculty and staff of the Nevada System of Higher Education to*  
7 *engage in activities that are commercially driven and that provide*  
8 *opportunities for targeted economic development.*

9 2. The ~~Executive Director~~ *President* may enter into any  
10 agreements necessary to obtain private equity investment in the  
11 programs established pursuant to NRS 231.1591 to 231.1597,  
12 inclusive ~~§~~, *and sections 2, 3 and 4 of this act.*

13 **Sec. 10.** NRS 231.1596 is hereby amended to read as follows:

14 231.1596 1. The ~~Executive Director~~ *President* shall use  
15 money in the Knowledge Fund created by NRS 231.1592 to  
16 establish a technology outreach program at locations distributed  
17 strategically throughout this State.

18 2. The ~~Executive Director~~ *President* shall ensure that the  
19 technology outreach program acts as a resource to:

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

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

25 (c) Assist professors and researchers in finding entrepreneurs  
26 and investors for the commercialization of their ideas and  
27 technologies;

28 (d) Connect market ideas and technologies in new or existing  
29 businesses or industries or in state colleges and community colleges  
30 with the expertise of the research universities and the Desert  
31 Research Institute;

32 (e) Assist businesses, the research universities, state colleges,  
33 community colleges and the Desert Research Institute in developing  
34 commercial applications for their research; and

35 (f) Disseminate and share discoveries and technologies  
36 emanating from the research universities and the Desert Research  
37 Institute to local entrepreneurs, businesses, state colleges and  
38 community colleges.

39 3. In designing and operating the technology outreach program,  
40 the ~~Board~~ *board of directors of the corporation* shall work  
41 cooperatively with the technology transfer offices at the research  
42 universities and the Desert Research Institute.

43 **Sec. 11.** NRS 231.1597 is hereby amended to read as follows:

44 231.1597 In consultation with the ~~Board~~ *board of directors*  
45 *of the corporation* and the Chancellor, the ~~Executive Director~~





1 **President** shall allocate money in the Knowledge Fund created by  
2 NRS 231.1592 to the research universities and the Desert Research  
3 Institute to provide funding for:  
4 1. The recruitment, hiring and retention of research teams and  
5 faculty to conduct research in science and technology which has the  
6 potential to contribute to economic development in this State;  
7 2. Research laboratories and related equipment located or to be  
8 located in this State;  
9 3. The construction of research clinics, institutes and facilities  
10 and related buildings located or to be located in this State; and  
11 4. Matching funds for federal and private sector grants and  
12 contract opportunities that support economic development  
13 consistent with the State Plan for Economic Development developed  
14 by the Executive Director pursuant to subsection 2 of NRS 231.053.  
15 **Sec. 12.** This act becomes effective on July 1, 2013.

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