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HOUSE BILL NO. 2550

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance
on February 12, 2019)

(Patron Prior to Substitute—Delegate Jones, S.C.)

A *BILL to amend and reenact §§ 2.2-204, 2.2-2220, and 23.1-3132 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 2.2-2220.2, relating to research and development in the Commonwealth.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.2-204, 2.2-2220, and 23.1-3132 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 2.2-2220.2 as follows:

§ 2.2-204. Position established; agencies for which responsible; additional duties.

The position of Secretary of Commerce and Trade (the Secretary) is created. The Secretary shall be responsible to the Governor for the following agencies: Virginia Economic Development Partnership Authority, *Innovation and Entrepreneurship Investment Authority*, Virginia International Trade Corporation, Virginia Tourism Authority, Department of Labor and Industry, Department of Mines, Minerals and Energy, Virginia Employment Commission, Department of Professional and Occupational Regulation, Department of Housing and Community Development, Department of Small Business and Supplier Diversity, Virginia Housing Development Authority, Tobacco Region Revitalization Commission, and Board of Accountancy. The Governor, by executive order, may assign any state executive agency to the Secretary, or reassign any agency listed in this section to another Secretary.

The Secretary shall implement the provisions of the Virginia Biotechnology Research Act (§ 2.2-5500 et seq.).

§ 2.2-2220. Board of directors; members; President.

The Authority shall be governed by a board of directors consisting of 17 members appointed as follows: (i) two presidents of the major research public institutions of higher education; and one president representing the other public institutions of higher education, appointed by the Governor; (ii) three nonlegislative citizen members appointed by the Governor; (iii) eight nonlegislative citizen members appointed by the General Assembly as follows: four nonlegislative citizen members appointed by the Speaker of the House from a list recommended by the House Committee on Science and Technology and the Joint Commission on Technology and Science and four nonlegislative citizen members appointed by the Senate Committee on Rules from a list recommended by the Senate Committee on General Laws and Technology and the Joint Commission on Technology and Science; (iv) *the chairmen of the Virginia Research Investment Committee and the Virginia Biosciences Health Research Corporation, or their designees; and (iv) the Secretary of Technology,* (v) the Secretary of Commerce and Trade, ~~and the Secretary of Education, and the Secretary of Finance,~~ who shall serve ex officio with full voting privileges.

One nonlegislative citizen member appointed by the Governor, one nonlegislative citizen member appointed by the Speaker of the House, and one nonlegislative citizen member appointed by the Senate Committee on Rules shall each have experience as a founding member of a technology company based upon intellectual property that has secured private investment capital. One nonlegislative citizen member appointed by the Governor, one nonlegislative citizen member appointed by the Speaker of the House, and one nonlegislative citizen member appointed by the Senate Committee on Rules shall each have experience as an institutional venture capital investment partner. One nonlegislative citizen member appointed by the Governor, one nonlegislative citizen member appointed by the Speaker of the House, and one nonlegislative citizen member appointed by the Senate Committee on Rules shall each have experience as a senior executive in a technology or scientific research and development company with annual revenues in excess of \$5 million. One nonlegislative citizen member appointed by the Governor, one nonlegislative citizen member appointed by the Speaker of the House and one nonlegislative citizen member appointed by the Senate Committee on Rules shall be from rural areas of the Commonwealth.

~~The Secretary of Technology,~~ Secretary of Commerce and Trade, ~~and the Secretary of Education, and the Secretary of Finance~~ shall serve terms coincident with their terms of office. After the initial staggering of terms, nonlegislative citizen members and presidents shall be appointed for terms of two years. Vacancies in the membership of the Board shall be filled in the same manner as the original appointments for the unexpired portion of the term. No nonlegislative citizen member or president shall be eligible to serve for more than three successive two-year terms; however, after the expiration of a term of one year, or after the expiration of the remainder of a term to which appointed to fill a vacancy, three additional terms may be served by such member if appointed thereto. Members of the Board shall be subject to removal from office in like manner as are state, county, town, and district officers under

60 the provisions of §§ 24.2-230 through 24.2-238. Immediately after appointment, the members of the
61 Board shall enter upon the performance of their duties.

62 The Board shall annually elect from among its members a chairman and a vice-chairman. The Board
63 shall also elect annually a secretary, who need not be a member of the Board, and may also elect such
64 other subordinate officers who need not be members of the Board, as it deems proper. The chairman, or
65 in his absence, the vice-chairman, shall preside at all meetings of the Board. In the absence of both the
66 chairman and vice-chairman, the Board shall appoint a chairman pro tempore, who shall preside at such
67 meetings. Nine members shall constitute a quorum of the Board.

68 The Board shall employ a President of the Authority, who shall serve at the pleasure of the Board, to
69 direct the day-to-day operations and activities of the Authority and carry out such of the powers and
70 duties conferred upon him by the Board. The President and employees of the Authority shall be
71 compensated in the manner provided by the Board and shall not be subject to the provisions of the
72 Virginia Personnel Act (§ 2.2-2900 et seq.).

73 **§ 2.2-2220.2. Capital Research Investment Advisory Committee.**

74 A. To assist the Board, Authority, and any nonstock entity established by the Board in fulfilling its
75 fiduciary duty as trustee of venture capital funds established under the purview of this article, the Board
76 shall appoint a Capital Research Investment Advisory Committee (the Investment Committee) to provide
77 sophisticated, objective, and prudent investment advice. The Investment Committee shall consist of nine
78 members with significant experience in commercialization of venture capital financing, to be appointed
79 by the Board. Each member appointed shall require a two-thirds vote of the Board.

80 B. No elected or appointed person shall serve on the Investment Committee.

81 C. The disclosure requirements of subsection B of § 2.2-3114 of the State and Local Government
82 Conflict of Interests Act shall apply to members of the Investment Committee.

83 D. The Investment Committee shall (i) review, evaluate, and monitor investments and investment
84 opportunities; (ii) make appropriate recommendations to the Board about investments and investment
85 opportunities; and (iii) make recommendations to the Board about asset allocation.

86 E. The Investment Committee shall provide oversight for the Commonwealth Growth Accelerator
87 Program Fund.

88 F. The Virginia Biosciences Health Research Corporation and the Commonwealth Center for
89 Advanced Manufacturing shall continue to operate in the manner set forth in their bylaws, subject to
90 oversight by the Board.

91 **§ 23.1-3132. Virginia Research Investment Committee; report.**

92 A. There is hereby established the Virginia Research Investment Committee to (i) promote research
93 and development excellence in the Commonwealth; (ii) provide guidance, and coordination as deemed
94 necessary, to existent efforts to support research in the Commonwealth with commercial potential; (iii)
95 approve the Roadmap; and (iv) provide guidance and assistance to the Innovation and Entrepreneurship
96 Investment Authority and the Capital Research Advisory Committee created pursuant to Article 3
97 (§ 2.2-2218 et seq.) of Chapter 22 of Title 2.2; and (v) evaluate and award grants and loans from the
98 Fund pursuant to the provisions of this article.

99 B. The Committee shall consist of the Director of the Council, the Secretary of Commerce and
100 Trade, the Secretary of Finance, and the staff directors of the House Committee on Appropriations and
101 the Senate Committee on Finance, all of whom shall serve ex officio with voting privileges, and four
102 nonlegislative citizen members of the Board to be appointed as follows: one appointed by the Speaker of
103 the House of Delegates, one appointed by the Senate Committee on Rules, and two appointed by the
104 Governor.

105 C. Ex officio members shall serve terms coincident with their terms of office. Board members shall
106 serve terms coincident with their terms on the Board. Vacancies shall be filled in the same manner as
107 the original appointments.

108 D. The Director of the Council shall serve as the chairman of the Committee.

109 E. The Committee shall report to the Governor and the Chairmen of the House Committee on
110 Appropriations and the Senate Committee on Finance no later than November 1 of each year. The report
111 shall include details about awards made from the Fund in the immediately preceding fiscal year and
112 updates on the research, development, and commercialization efforts resulting from such awards.

113 **2. That pursuant to the authority granted to the Innovation and Entrepreneurship Investment**
114 **Authority (IEIA) under Article 3 (§ 2.2-2218 et seq.) of Chapter 22 of Title 2.2 of the Code of**
115 **Virginia, the Center for Innovative Technology (CIT) shall continue to fulfill its operating**
116 **functions of the IEIA until such time as the Governor and General Assembly act on any**
117 **recommendations submitted pursuant to the third enactment of this act. The Board of the IEIA**
118 **shall serve as the Board of CIT, and investments by CIT shall be performed under the guidance**
119 **of the Capital Research Investment Advisory Committee established pursuant to § 2.2-2220.2 of the**
120 **Code of Virginia, as created by this act.**

121 **3. That the Secretary of Commerce and Trade shall oversee a stakeholder group to assess and**

122 recommend to the Governor and the General Assembly by December 1, 2019, a plan to
123 consolidate, restructure, or transition programs from the Innovation and Entrepreneurship
124 Authority (IEIA), the Virginia Research Investment Committee, and other appropriate agencies or
125 entities to a structure that includes either both existing entities or a new entity or structure to
126 ensure more collaboration and coordination in the Commonwealth's innovation sector. The
127 stakeholder group shall assess whether one or multiple entities should be involved in the oversight
128 of programs related to research, commercialization, technology, and entrepreneurship. In addition,
129 the plan shall address how the Virginia Biosciences Health Research Corporation and the
130 Commonwealth Center for Advanced Manufacturing relate to the consolidation and any future
131 structure or structures. The stakeholder group, to be chaired by the Secretary of Commerce and
132 Trade, shall include the Secretary of Finance, the chairman of the IEIA, the chairman of the
133 Virginia Research Investment Committee, the chairman of the Virginia Biosciences Health
134 Research Corporation, and the staff directors of the House Committee on Appropriations and
135 Senate Committee on Finance. Additionally, in an advisory capacity, the Secretary of Commerce
136 and Trade shall consult with industry organizations, technology councils, entrepreneurial
137 ecosystem organizers, and representatives of public institutions of higher education.