

Date of Hearing: April 12, 2016

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2664 (Irwin) – As Amended March 17, 2016

[Note: This bill is double referred to the Assembly Jobs, Economic Development, and the Economy Committee and will be heard as it relates to issues under its jurisdiction.]

SUBJECT: University of California: innovation and entrepreneurship expansion

SUMMARY: Provides funding to the University of California (UC) to expand the infrastructure necessary to increase innovation and entrepreneurship for the purpose of creating economic development for the State of California. Specifically, **this bill:**

- 1) Finds and declares the following of the Legislature, with respect to innovation and entrepreneurship expansion at the UC:
 - a) The State of California is well-positioned to harness the power of the expertise of the UC to spur economic development;
 - b) The UC contributed to the foundational research breakthroughs that launched some of California's strongest industries, including aerospace, agriculture, biotechnology, computers and semiconductors, telecommunications, and digital media;
 - c) Research at the UC continues to create new inventions that will be the genesis of tomorrow's industries, companies, and commercial successes;
 - d) Innovation and entrepreneurship at the UC create equitable economic development throughout California; and,
 - e) It is therefore the intent of the Legislature to provide funds to establish or expand the infrastructure at each campus and the Lawrence Berkeley National Laboratory (LBNL) to expand infrastructure necessary to build a network of innovators, entrepreneurs, startups, investors, and industry and community partners to spur innovation and economic development in communities surrounding UC campuses, the LBNL, and across California.
- 2) Specifies that monies appropriate, as specified, shall be used by the UC to expand the infrastructure necessary to increase innovation and entrepreneurship for the purpose of creating economic development.
- 3) Stipulates that specified funds shall be used to fund innovation and entrepreneurship programs at each campus of the UC and the LBNL.
- 4) Requires that the manner in which the specified funds may be used, shall be determined by the UC; and, authorizes the funds may be used, but shall not necessarily be limited to, the establishment of programs or projects to facilitate economic development in communities surrounding the 10 campuses of the UC, the LBNL, and other locations across California for purposes such as any of the following:

- a) Providing business training and resources to reduce common barriers to success for entrepreneurs and startup companies;
 - b) Offering subsidized work and laboratory space to startups for prototype development, proof-of-concept research, or both;
 - c) Providing proof-of-concept funding to increase the likelihood that entrepreneurs and startup companies will attract venture or corporate capital backing;
 - d) Providing mentorship to the underrepresented interested in entrepreneurial pursuits; and,
 - e) Coordinating and aligning innovation functions at a campus of the university or at the LBNL, and building relationships between the university environment and successful, independent enterprises to facilitate the rollout of products to the market and the public.
- 5) Requires the UC to report to the Department of Finance and the Legislature annually on the use of the funding, as specified.
- 6) Allocates \$66 million from the General Fund (GF) to the UC Regents for allocation, as specified, in accordance with the following schedule:
- a) \$22 million for expenditure for the 2017–18 fiscal year (FY);
 - b) \$22 million for expenditure for the 2018-19 FY; and,
 - c) \$22 million for expenditure for the 2019-20 FY.

EXISTING LAW:

- 1) Establishes the Donahoe Higher Education, setting forth the mission of the UC (Education Code (EC) Section 66010, et seq.).
- 2) Grants the UC Regents regulatory authority over the UC (EC Section 92440, et seq.).

FISCAL EFFECT: \$66 million from the GF over three years.

COMMENTS: *Background.* As the research arm of the state, the UC has driven innovation and economic growth. According to the UC, it is now the world's academic leader in the number of research inventions, with 1,700 reported in 2014. The UC continues to be the launching platform for a numerous startup companies that stimulate the economic and job growth in California.

The state, in 2000, created the California Institutes for Science and Innovation (Cal-ISIs) through the budget and legislation (AB 2883, Villaraigosa, Chapter 79) to speed up business growth in the state, develop research and innovations to meet California's needs, and train future scientists.

The state provided start-up funds of \$400 million for the Cal-ISIs and the UC provide a 2-to-1 match from a combination of business and federal sources. The state continues to reap the benefits of its original investment.

What is needed for continued growth? According to the UC, specific investments are needed so that the pace can be maintained to keep up with the demand for innovation and entrepreneurial

infrastructure, resources, and support programs. The UC contends that the investments will leverage UC research in two ways: a) provide researchers with the necessary tools to turn their ideas into job-providing companies; and, b) organize research systemwide in order to address the various challenges facing California.

Expanding the infrastructure for UC innovation and entrepreneurship to create innovation and economic development in the surrounding communities of UC campuses and across California will not happen overnight. The UC has a three-year investment of \$2 million per year for each of the 10 UC campuses and the Lawrence Berkeley National Laboratory.

This measure calls for the appropriation of \$22 million for FYs 2017-18, 2018-19 and 2019-20 inclusive, to be used by the UC in order for the UC to expand the infrastructure necessary to increase innovation and entrepreneurship for the purpose of creating economic development for California.

Purpose of this measure. According to the author, in 2014, active UC startups based in California employed over 19,000 Californians and brought in more than \$14 billion in revenue. The author contends that in order to maximize the transformative power of UC's research engine, the UC innovation ecosystem needs to expand throughout the State. The author states, "The UC's ability to provide entrepreneurial services is at capacity. The demand for startup seed funding is rising, and workspace demand consistently exceeds capacity. While UC-fostered entrepreneurship is increasing, entrepreneurship in the state of California is declining. The number of new adults becoming entrepreneurs per month slipped from a high of 440 out of every 100,000 Californian adults in 2012, to 390 in 2015; a troubling trend as young companies are the primary source for all net new jobs created annually."

This measure seeks to build upon the successful model that the state created in 2000.

REGISTERED SUPPORT / OPPOSITION:

Support

23andMe
Aduro Biotech
Bayer
Breakout Labs
California Chamber of Commerce
California Manufacturers and Technology Association
City of Santa Cruz
Computing Technology Industry Association
Data Collective
Foley & Lardner, LLP
Gerson Bakar Foundation
Inevitable Ventures
InterPacific
Manitou Ventures
Monterey County Business Council
Pfizer, Inc.
San Francisco Chamber of Commerce
San Francisco Global Trade Council

Synergenics
TechNet
University of California
Velocity Venture Capital
4 Individuals

Opposition

None on file.

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