AN ACT relating to research, innovation, and technology businesses.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

As used in Sections 4 to 17 of this Act, unless the context indicates otherwise:

(1) "Applied research" means those research activities occurring at universities and in private enterprises that have potential commercial application;

(2) "Cluster" means a geographically bound concentration of similar, related, or complementary businesses with active channels for business transactions, communications, and dialogue, that share specialized infrastructure, labor markets, and services, and that are faced with common opportunities and threats;

(3) "Commission" means the Kentucky Innovation Commission;

(4) "Commonwealth" means the Commonwealth of Kentucky;

(5) "Council" means the Council on Postsecondary Education;

(6) "Eligible company" means any corporation, limited liability company, partnership, registered limited liability partnership, sole proprietorship, business trust, person, group, or other entity engaged in nonretail commerce, agribusiness, trade, or manufacturing;

(7) "Immediate family members" means:

(a) Spouse and parents-in-law;

(b) Parents and grandparents;

(c) Children and their spouses; and

(d) Siblings and their spouses;

(8) "Kentucky-based company" means a business with its principal place of business in Kentucky or no less than fifty percent (50%) of its property and payroll located in Kentucky;

(9) "Knowledge-based" means driven by knowledge, innovation, and speed;
(10) "Medium-size company" means a business with fifty-one (51) to one hundred fifty (150) employees;

(11) "Qualified company" means an eligible company that may be awarded a funding voucher pending certification;

(12) "Science and technology organization" means an independent, nonprofit or quasi-governmental organization, with a statewide mission, that has a demonstrated history of managing complicated programs in the areas of entrepreneurial innovation, science, and technology advancement;

(13) "Seed funding" means financing that is provided for early-stage development, refinement, and commercialization of a product, process, or innovation through continuing applied research, advancing the patent process, determining commercial and market potential, or moving research toward development of a prototype; and

(14) "Small company" means a firm with fifty (50) or fewer employees.

SECTION 2. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

The General Assembly finds that the general welfare and material well-being of the citizens of the Commonwealth depend on immediate action to develop a strong, entrepreneurial economy, characterized by knowledge, innovation, and speed and that it is in the best interest of the Commonwealth to promote research, innovation, and high-technology enterprises that utilize the higher-order skills of an educated workforce. The provisions in Sections 1 to 17, 18, 19, and 20 of this Act shall be liberally construed and applied to advance public purposes.

SECTION 3. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) There is established the Kentucky Innovation Commission, as an independent advisory commission, consisting of fifteen (15) members as follows:
(a) The Governor or designee;

(b) The secretary of the Governor's Executive Cabinet or designee;

(c) The secretary of the Cabinet for Economic Development or designee;

(d) The president of the Council on Postsecondary Education or designee;

(e) The state budget director or designee;

(f) The Speaker of the House or designee;

(g) The President of the Senate or designee; and

(h) Eight (8) at-large members appointed by the Governor as follows:

1. Four (4) members of the private sector possessing extensive experience and expertise relating to managing a high-technology business or engaging in an innovation-driven, knowledge-based enterprise;

2. One (1) member engaged in the business of venture capital;

3. One (1) member of the private sector possessing extensive experience and expertise relating to providing or supporting communications infrastructure; and

4. Two (2) members who are engineers or scientists recognized for their scientific or technological research efforts, or educators with an interest or background in teaching students to become highly skilled workers or entrepreneurs.

(2) The eight (8) at-large members shall serve terms of four (4) years, except that the original appointments shall be staggered so that two (2) appointments shall expire at two (2) years, three (3) appointments shall expire at three (3) years, and three (3) appointments shall expire at four (4) years from the dates of initial appointment.

(3) The commission shall meet quarterly and at other times upon call by the chair.

(4) Eight (8) members shall constitute a quorum for conducting business.
(5) Members shall receive no compensation except that the at-large members shall be reimbursed for actual and necessary travel expenses for attending meetings and performing other official functions, consistent with state reimbursement policy for state employees.

(6) Vacancies shall be filled in the same manner as the original appointment.

(7) The chair and vice chair of the commission shall be appointed by the Governor from the private sector membership.

(8) The commission shall provide ongoing advice, direction, and policy recommendations to the Governor and the General Assembly relating to the status of Kentucky knowledge-driven businesses, research and development initiatives, and related high-skill training and education in the Commonwealth.

(9) The duties and responsibilities of the commission shall be to:

(a) Promote the cooperation of private and public entities that have the purpose and duty of advancing the knowledge-based economy in the Commonwealth through technological innovation and knowledge transfer;

(b) Consider performance indicators recommended by public and private experts in and outside of the state in the fields of research and development and economic development, for the purpose of recommending benchmarks. Experts in this state shall include, but not be limited to, representatives from the universities undertaking research and development activities, representatives of the Kentucky Science and Technology Corporation, representatives of targeted technology sectors, representatives of the Cabinet for Economic Development, and representatives of other state agencies having economic development and information technology responsibilities. Outside state experts shall include nationally recognized independent reviewers to assess the competitiveness of technology sectors in this state and the impact of research and development activities on economic
development in the Commonwealth. Quantitative and qualitative indicators may include but are not limited to the following:

1. Kentucky companies modernizing to become more technologically innovative and globally competitive;
2. Research and development initiatives undertaken at Kentucky universities with federal, state, or private funds;
3. Educational attainment in areas that support the workforce needs of information technology and high-growth knowledge industries;
4. High-technology sectors and companies moving to and operating in the state;
5. Patents filed for technology or knowledge-based commercial products, processes, or services;
6. Businesses using electronic commerce and the communications infrastructure access capacity for Kentucky businesses; and
7. Growth in corporate headquarters, research and development centers, high-income employees, and clustering of related technology industries and suppliers;

(c) Operate as a common strategic umbrella to advocate for the use of federal, state, local government, and private sector funds to create research and development projects, modernize manufacturing facilities, and promote knowledge-based, technology sectors and companies in the Commonwealth; and

(d) Report to the Governor and to the General Assembly annually on performance indicators, recommending benchmarks for measuring progress toward the advancement of the knowledge-based economy, technological innovation, and knowledge transfer, and reporting on the programs and initiatives set forth in Sections 5 to 22 of this Act.
(10) The support staff for the commission shall be from the office of the state budget director.

SECTION 4. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) The Council on Postsecondary Education shall have all the powers and authority, not explicitly prohibited by statute, necessary and convenient to carry out and effectuate the purposes of Sections 5 to 17 of this Act, including, but not limited to:

(a) Entering into contracts or agreements necessary or incidental to the performance of its duties, functions, and responsibilities; and

(b) Soliciting, borrowing, accepting, receiving, and expending funds from any public or private source, including, but not limited to, general fund appropriations of the Commonwealth, grants or contributions of money, property, labor, or other things of value to be used to carry out the programs' operations, functions, and responsibilities.

(2) The council may expend money in the funds created in Section 5, Section 9, and Section 13 of this Act for reasonable administrative expenses directly incurred in carrying out the requirements of Sections 5 to 17 of this Act. It is the intent of the General Assembly that the funds created in Section 5, Section 9, and Section 13 of this Act be used, to the fullest extent possible, to directly fund project costs.

(3) The council shall contract with a science and technology organization to administer the programs created in Section 6 and Section 14 of this Act, and may contract with a science and technology organization to administer the programs created in Section 10 and Section 17 of this Act. The council may contract with the Kentucky Science and Technology Corporation to administer these programs. The council shall approve the application criteria, the process for submission of an application, and the structure and type of outside expertise or peer review used
in the application review process in the programs created in Section 6, Section 10, and Section 14 of this Act.

(4) No member of the council or the science and technology organization or other administering entity, or their employees or outside experts or their immediate family members, shall directly or indirectly financially benefit in any award, contract, or agreement under the programs.

(5) The council shall submit an annual report to Kentucky Innovation Commission, the Governor, and the General Assembly detailing its work related to the programs created in Section 6, Section 10, Section 14, and Section 17 of this Act. The annual reports shall include reporting on the progress made in achieving each program's purposes, qualitative and quantitative information concerning the applications received, projects approved and undertaken, companies served, and funding amounts invested in each project or program, as appropriate, and findings and recommendations to increase each program's effectiveness in achieving its purposes.

(6) All records related to the administration of the programs created in Section 6, Section 10, Section 14, and Section 17 of this Act shall be deemed property of the council and shall be deemed open records and subject to public inspection under KRS 61.870 to 61.884. Any research that involves or is a patent, trade secret, or other legally protectable interest shall be exempt from inspection until such time as the intellectual property rights have been fully protected.

SECTION 5. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

There is established and created in the State Treasury a fund entitled the "Kentucky Research and Development Voucher Fund" for the purpose of enabling small or medium-size, Kentucky-based companies to undertake research and development work in partnership with universities in the Commonwealth. The fund may receive state
appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9), and any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Research and Development Voucher Program.

SECTION 6. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) There is created and established in the Council on Postsecondary Education a Kentucky Research and Development Voucher Program to provide vouchers to small and medium-size, Kentucky-based companies to undertake research and development work in partnership with universities in the Commonwealth.

(2) The purpose of the Kentucky Research and Development Voucher Program is to:

(a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies;

(b) Support research and development activities that have clear potential to lead to commercially successful products, processes, or services within a reasonable period of time;

(c) Stimulate growth-oriented enterprises within the Commonwealth;

(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's universities, and research organizations; and

(e) Promote research and development activities that are market-oriented.

SECTION 7. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:
(1) The science and technology organization shall have the authority to review applications, qualify companies, and certify qualified companies.

(2) The science and technology organization shall develop application criteria and an application process subject to the following limitations. The proposed research and development project shall be likely to:
   (a) Produce a measurable result and be technically sound;
   (b) Lead to innovative technology or new knowledge;
   (c) Lead to commercially successful products, processes, or services within a reasonable period of time; or
   (d) Show significant potential for stimulating economic growth and a reasonable probability to enhance employment opportunities within the Commonwealth.

(3) The applicant shall provide to the science and technology organization an application that shall include, but not be limited to, the following information:
   (a) Verification that the applicant is an eligible company that meets the definition of a Kentucky-based company and medium-size company or small company;
   (b) A technical research plan that is sufficient for outside expert review;
   (c) A detailed financial analysis that includes the commitment of resources by the applicant and others;
   (d) Sufficient detail concerning proposed project partners, type and amount of work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement; and
   (e) A statement of the economic development potential of the project.

(4) The science and technology organization shall conduct an independent review with the use of outside experts to evaluate each application. Following the application review, the science and technology organization shall make a
determination of the application and may determine that the applicant is a
qualified company as defined in Section 1 of this Act.

(5) Upon a qualified company's presentation of a legal agreement or contract
meeting the conditions under subsection (6) of this section the science and
technology organization shall present both qualified company and university with
a certification authorizing voucher funding.

(6) Prior to receiving certification authorizing voucher funding from the science and
technology organization, the qualified company shall:

(a) Negotiate an agreement and funding contract with a university in the
Commonwealth that is satisfactory to the science and technology
organization, to undertake the research and development work; and

(b) Provide assurance to the science and technology organization that the
university and the qualified company have negotiated the ownership and
disposition of patents, royalties, all other intellectual property rights, and
equity or related position relating to the contract between the qualifying
company and the university.

(7) Prior to certifying a qualified company, the science and technology organization
may negotiate with the qualified company the ownership and disposition of
patents, royalties, all other intellectual property rights, and an equity or related
position on behalf of the Kentucky research and development voucher fund for
the sole purpose of reinvesting and sustaining a revolving fund to carry out the
provisions of Sections 6, 7, and 8 of this Act.

(8) The science and technology organization, upon approval by the council, shall set
forth guidelines as to when and how all areas of the state will be notified about
the program's availability and a program schedule, including but not limited to
the following:

(a) A review cycle including:
1. A deadline for submission of applications at least biannually; and
2. A deadline for reviewing applications of no more than one hundred twenty (120) days after the application submission deadline; and

(b) A deadline, from the date an applicant is determined to be a qualified company, by which certification shall be made. If certification is not made by that deadline the funding voucher award is made void.

SECTION 8. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

Project funding in the Kentucky Research and Development Voucher Fund Program shall have the following limitations:

(1) Voucher award funds from the state fund shall be expended within the university under contract;

(2) The maximum amount of voucher funds awarded to a qualified company shall not exceed one hundred thousand dollars ($100,000) each year for two (2) years, equal to a maximum of two hundred thousand dollars ($200,000); and

(3) At a minimum, the qualified company shall match the project award by a one-to-one dollar ratio for each year of the project. The science and technology organization has sole discretion to authorize an in-kind contribution in lieu of part of the industry match if the science and technology organization determines that the financial limitations of the qualified company warrants this authorization.

SECTION 9. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

There is established and created in the State Treasury a fund entitled the "Kentucky Rural Innovation Fund" for the purpose of enabling small, rural Kentucky-based firms to undertake research and development, and entrepreneurial innovation work in partnership with postsecondary institutions in the Commonwealth. The fund may
receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9), and any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Rural Innovation Program.

SECTION 10. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) There is created and established in the Council on Postsecondary Education a Kentucky Rural Innovation Program to provide vouchers to rural Kentucky-based, small companies to undertake research, development, and entrepreneurial innovation work in partnership with Kentucky postsecondary institutions, the Small Business Development Center Network in Kentucky, and other entities engaged in research and development work.

(2) The purpose of the Kentucky Rural Innovation Program is to:

(a) Accelerate knowledge transfer and technological innovation that improve economic competitiveness and spur economic growth in rural, Kentucky-based, small companies;

(b) Support entrepreneurial activities that have clear potential to lead to commercially successful products, processes, or services within a reasonable period of time;

(c) Stimulate growth-oriented enterprises within the Commonwealth;

(d) Encourage partnerships and collaborative projects between private enterprises, Kentucky's postsecondary institutions, research organizations, and the Small Business Development Center Network in Kentucky; and
(e) Promote research, development, and entrepreneurial activities that are driven by private sector requirements.

SECTION 11. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) The council shall have the authority to review applications, award vouchers to qualifying companies, and certify qualified companies. The council shall develop application criteria and an application process subject to the following limitations. The proposed project shall be likely to:

(a) Produce a measurable result and be technically sound;
(b) Lead to innovative technology or new knowledge;
(c) Lead to commercially successful products, processes, or services within a reasonable period of time; or
(d) Show significant potential for stimulating economic growth and a reasonable probability to enhance employment opportunities within rural Kentucky.

(2) The applicant shall provide to the council an application that shall include, but not be limited, to the following information:

(a) Verification that the applicant is an eligible company, a Kentucky-based company, and a small company, and is located in a rural area of the state;
(b) Written justification that the project application is consistent with the program purposes;
(c) A research, development, and entrepreneurial plan that is sufficient in scope for review;
(d) A financial analysis and resource support plan that includes sufficient commitments by the applicant and others, in addition to an award voucher, providing a reasonable probability of the success of the project endeavor;
(e) Sufficient detail concerning proposed project partners, type and amount of
work to be performed by each partner, and expected product or service with estimated costs to be reflected in the negotiated contract or agreement; and

(f) A statement of the economic development potential of the project.

(3) The council shall conduct an independent review with the use of outside experts to evaluate each application. Following the application review, the council shall make a determination of the application and may determine that the applicant is a qualified company as defined in Section 1 of this Act.

(4) Upon a qualified company's presentation of a legal agreement or contract meeting the conditions under subsection (5) of this section the council shall present the qualified company and partnering entities with a certification authorizing voucher funding.

(5) Prior to receiving certification authorizing voucher funding the qualified company shall:

(a) Negotiate an agreement and funding contract with one (1) or more of Kentucky's postsecondary institutions, the Small Business Development Center Network for approved project activities specified under KRS 154.01-750(4), or other entity engaged in the research and development work, that is satisfactory to the council, to undertake the research and development and entrepreneurial work; and

(b) Provide assurance to the council that the collaborating parties have adequately addressed the ownership and disposition of patents, royalties, and all other intellectual property rights, and equity or related position relating to the contract between the qualifying company and a partnering entity.

(6) The council shall set forth guidelines as to when and how all areas of the state will be notified about the program availability and guidelines for making application to the program. The council shall determine a deadline, from the date
a voucher is awarded, that certification shall be made. If certification is not made by that deadline the voucher award is made void.

(7) Prior to certifying a qualified company, the council may negotiate with the qualified company the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky rural innovation fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions of Sections 10, 11, and 12 of this Act.

(8) The council may, in effectuating the provisions of this section, contract with any public agency, private entity, or science and technology organization to administer and manage the Kentucky Rural Innovation Program.

SECTION 12. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

Project funding in the Kentucky Rural Innovation Program shall have the following limitations:

(1) Voucher award funds shall be used as seed funding as defined in Section 1 of this Act;

(2) Voucher award funds may be used for those entrepreneurial training topics specified in KRS Chapter 154.01-750(4), if they meet particular objectives of a qualified company as delineated in the project application; and

(3) The amount of a voucher fund award to a qualified company shall not exceed twenty-five thousand dollars ($25,000) each year for two (2) years, equal to a maximum of fifty thousand dollars ($50,000).

SECTION 13. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

There is established and created in the State Treasury a fund entitled the "Kentucky Commercialization Fund" to provide development funds for promising technologies
developed through the research and development work undertaken at the universities in the Commonwealth. The fund may receive state appropriations, gifts, grants, federal funds, revolving funds, and any other funds both public and private. Moneys deposited in the fund shall be disbursed by the State Treasurer upon the warrant of the secretary of the Finance and Administration Cabinet. Any unallocated or unencumbered balances in the fund shall be invested as provided in KRS 42.500(9), and any income earned from the investments along with the unallotted or unencumbered balances in the fund shall not lapse, and shall be deemed a trust and agency account and made available solely for the purposes and benefits of the Kentucky Commercialization Fund Program.

SECTION 14. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) There is created and established in the Council on Postsecondary Education a Kentucky Commercialization Fund Program to provide seed funding as defined in Section 1 of this Act, for the development of promising technologies emerging from Kentucky's universities.

(2) The purposes of the Kentucky Commercialization Fund Program is to:

(a) Accelerate knowledge transfer and technological innovation, improve economic competitiveness, and spur economic growth in Kentucky-based companies;

(b) Provide seed funding for promising technologies developed in Kentucky's universities;

(c) Support promising technologies with commercial potential that are in their early stages of development;

(d) Promote technologies and resources offered by Kentucky's postsecondary institutions to private enterprises; and

(e) Support the formation and organization of private enterprise that advances
commercial applications based on a university's research and development work.

SECTION 15. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) The science and technology organization shall conduct an outside review to evaluate each proposal.

(2) The science and technology organization shall have the authority to review and provide to the council a reporting of recommended fund projects, which includes a ranking of projects, suggested funding amounts for each project, and reasons for recommending the selected project.

(3) The council shall receive from the science and technology organization a reporting of recommended projects and shall have the final approval on program fund awards.

(4) The science and technology organization shall recommend projects based on proposal applications submitted by Kentucky's universities. The proposals shall be selected on criteria that include, but are not limited to the following:

(a) Competitive, external peer review;

(b) Merits of the proposal to meet the program's purposes under subsection (2) of Section 14 of this Act; and

(c) Potential of the proposal to increase the competitiveness of Kentucky businesses.

(5) Prior to final approval of fund awards, the university submitting the proposal shall provide assurance to the science and technology organization that the collaborating parties have adequately addressed the ownership and disposition of patents, royalties, and all other intellectual property rights, and equity or related position relating to the contract between the qualifying company and a partnering entity.
(6) Prior to approval of funding awards, the science and technology organization may negotiate with the university the ownership and disposition of patents, royalties, all other intellectual property rights, and an equity or related position on behalf of the Kentucky commercialization fund for the sole purpose of reinvesting and sustaining a revolving fund to carry out the provisions of Sections 14, 15, and 16 of this Act.

(7) The science and technology organization, upon approval by the council, shall set forth guidelines as to when and how all areas of the state will be notified about the program availability and a program schedule, including but not limited to the following:

(a) A review cycle including:

1. A deadline for submission of proposals at least biannually; and
2. A deadline for proposal review of no more than one hundred twenty (120) days after the proposal application submission deadline; and

(b) A deadline for the awarding of approved projects and program funds.

SECTION 16. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

Project funding in the Kentucky Commercialization Fund Program shall have the following limitations:

(1) The maximum amount of funding for a project award shall not exceed seventy-five thousand dollars ($75,000) each year up to three (3) years, equal to a maximum of two hundred twenty-five thousand dollars ($225,000); and

(2) The University of Kentucky and the University of Louisville shall be awarded together no more than seventy percent (70%) of fund awards.

SECTION 17. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO READ AS FOLLOWS:

(1) The Council on Postsecondary Education is directed to create nonprofit regional
technology corporations. The regional technology corporations shall act as intermediary organizations delivering services and providing resources to knowledge-based clusters, as defined in Section 1 of this Act, primarily in rural areas of Kentucky. Public and private organizations, including comprehensive universities and other postsecondary institutions, may participate in activities organized by the regional technology corporations.

(2) Regional technology corporations shall be organized to support specific clusters, as determined by the council. The council shall not create a regional technology corporation to support and serve a cluster unless it determines that:

(a) The needs of a particular cluster are sufficient to warrant the creation of a regional technology corporation; and

(b) The economic impact in the state or region of a particular cluster is sufficient to warrant the creation of a regional technology corporation.

(3) The regional technology corporations may perform services that include, but are not limited to, the following:

(a) Identify key areas in which the state has comparative advantages and identify the key supplier chains involved;

(b) Identify ways to link key suppliers and industry anchors to other industries in a matchmaking function;

(c) Work with economic development recruitment organizations, assisting in identifying and encouraging companies to fill gaps in supplier chains or serve as anchors for cluster development;

(d) Serve as regional one-stop clearinghouses to cluster companies and related organizations;

(e) Identify and support the creation of curricula, short courses, certificate programs, and nondegree programs to meet the workforce training needs of promising industries and clusters;
(f) Support existing industry associations and help create new associations in emerging industries and clusters; and

(g) Develop regional strategies around the regional technology corporations' purpose to advocate for and secure public and private resources to implement these strategies.

(4) The council may, in effectuating the provisions of this section and for the administration and management related to this section, contract with any public agency, postsecondary institution, private entity, or science and technology organization.

(5) Each regional technology corporation shall report annually and at other times, as required by the council. The regional technology corporation shall report to the council in a manner as prescribed by the council, but reporting shall include information concerning the clusters and companies served, projects undertaken, progress made in achieving its purposes, and recommendations to increase its effectiveness in achieving its purposes.

(6) Funding for the creation and start-up of a regional technology corporation shall be limited to no more than seventy-five thousand dollars ($75,000) for the first year of operation and fifty thousand dollars ($50,000) for the second year of operation for a maximum of one hundred twenty-five thousand dollars ($125,000) from the state fund.

SECTION 18. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section, "cluster" and "knowledge-based" shall have the same meaning as in Section 1 of this Act.

(2) In an attempt to accomplish the mission of the Commonwealth's economic development system in KRS 154.01-020 and the purpose of the Kentucky Economic Development Partnership in KRS 154.10-010, the Cabinet for
Economic Development shall undertake a strategic technology capacity initiative.

(3) The purposes of the strategic technology capacity initiative within the Cabinet for Economic Development shall be to:

(a) Focus on the recruitment of research and development companies, organizational units, projects, and activities in the Commonwealth;

(b) Attract high-technology and research and development centers into Kentucky and support the growth and creation of high-technology, innovative companies from within the Commonwealth; and

(c) Build and promote the networks of technology-driven and research-intensive industries with their related suppliers, with the goal of creating clusters of innovation-driven industries in Kentucky.

(4) In implementing the strategic technology capacity initiative, the Cabinet for Economic Development shall undertake a study that includes the following:

(a) An analysis to determine those knowledge-based industry sectors that would be best identified as appropriate targets for economic development recruitment;

(b) An analysis of supplier chains to the identified industry sectors that would support and enhance the presence of technology-driven industries; and

(c) A review and detailed survey of the financial needs of those targeted technology-driven industries to determine what changes may be needed in the state's incentive programs and other state support services to industry.

(5) The strategic technology capacity initiative shall utilize the assistance of various departments and functions within the Cabinet for Economic Development, other state government agencies, and other academic and technology-oriented entities to achieve the purposes under subsection (3) of this section.

(6) The Cabinet for Economic Development may enter into contracts or agreements with other private or public entities to study the capacity to attract high-
technology and innovative companies and research and development centers to Kentucky and to assist in addressing the unique recruiting issues surrounding attracting these industries.

(7) The Cabinet for Economic Development shall provide to the Kentucky Innovation Commission a report of its strategic technology capacity initiative annually and the results of its study as required in subsection (4) of this section, and shall provide to the Kentucky Innovation Commission additional information and assistance in the completion of its work as required in subsection (9)(b) of Section 3 of this Act.

SECTION 19. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section, "cluster" shall have the same meaning as in Section 1 of this Act.

(2) It is the intention of the General Assembly to recognize that a strong manufacturing base for the economy of the Commonwealth requires not only modernization of the production process but also an increase in the number of products developed, so that through the creation of new product lines, additional value-added products, and new manufacturing methods the economy will grow and quality job opportunities will increase. The Cabinet for Economic Development shall support this intention through its authority in KRS 154.12-050 and through its strategic technology capacity initiative in Section 18 of this Act.

(3) The Cabinet for Economic Development shall enter into contracts or agreements with the Kentucky Technology Service, Inc., a nonprofit organization with the mission to assist Kentucky small and medium-size manufacturers to become more competitive in the global marketplace. The contracts or agreements shall require the Kentucky Technology Service, Inc., to undertake the following activities:

(a) Negotiate contractual agreements with existing manufacturers to deliver
modernization services that are likely to lead to the creation of new product lines, additional value-added products, and new manufacturing methods;

(b) Deliver engineering, technical, and business improvement services in Kentucky manufacturing facilities, through the network of Kentucky Technology Service locations in the state, that lead to the development of new product lines, additional value-added products, and new manufacturing methods;

(c) Coordinate services for and support the activities of Kentucky manufacturers that need additional projects, activities, and expertise beyond those available through the Kentucky Technology Service, Inc.;

(d) Promote, along with other economic development entities, the development of supplier chains, the linkages among suppliers, and the growth of clusters within the Commonwealth; and

(e) Provide to the Cabinet for Economic Development and Kentucky Innovation Commission a report of the advances made in the manufacturing modernization projects initiated.

SECTION 20. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section, "cluster" and "knowledge-based" shall have the same meaning as in Section 1 of this Act.

(2) There is established the Office of the Commissioner for the New Economy in the Cabinet for Economic Development. Notwithstanding KRS 154.10-050, the Governor shall nominate the commissioner, who shall be approved by the Kentucky Economic Development Partnership.

(3) The duties of the Office of the Commissioner for the New Economy shall include but not be limited to:

(a) Undertake a strategic technology capacity initiative under Section 18 of this
Act;
(b) Develop a knowledge-based economy strategy to be presented to the Kentucky Economic Development Partnership and the Kentucky Innovation Commission in Section 18 of this Act;
(c) Oversee the modernization initiative in Section 19 of this Act;
(d) Assist the cabinet in the recruitment of research and development companies;
(e) Assist the cabinet in the attraction of high-technology research and development centers;
(f) Support growth and creation of knowledge-based, innovative companies;
(g) Build and promote networks of technology-driven clusters and research intensive industries;
(h) Administer the high-tech construction pool and the high-tech investment pool; and
(i) Recommend projects to the Kentucky Economic Development Finance Authority for funding through the high-tech construction pool and high-tech investment pool.

(4) The high-tech construction pool shall be used for projects with a special emphasis on the creation of high-technology jobs and knowledge-based companies. The commissioner, in administering the high-tech construction pool, shall recommend distribution of funds and projects to the Kentucky Economic Development Finance Authority for its approval. The commissioner shall recommend any designated amount of pool funds to be set aside for any match requirements. Any funds used for matching purposes may include public and private funds.

(5) The high-tech investment pool shall be used to build and promote networks to technology-driven industries and research-intensive industries, as well as their
related suppliers, with the goal of creating clusters of innovation-driven industries in Kentucky. The commissioner, in administering the high-tech investment pool, shall be authorized to recommend funds to be used to support loans and grants, or to secure an equity position in industrial networks.

(6) The Kentucky Economic Development Finance Authority shall assure in their approval of funding of projects that the highest priority is given to knowledge-based companies in fulfillment of the purposes and intentions of the purposes of this section.

Section 21. The General Assembly directs the Kentucky Science and Technology Corporation to conduct an entrepreneurial audit of appropriate statutes, regulations, and policies that may currently provide obstacles to business development in the information technology and knowledge-based sectors, and to report its findings and recommendations to the General Assembly, the Governor, and Kentucky Innovation Commission no later than September 1, 2001.

Section 22. The General Assembly directs the Kentucky Science and Technology Corporation to create and manage the Kentucky Science and Engineering Foundation as a means to increase Kentucky’s capacity to become a leader state in competitive research by attracting more research funding from all sources to the Commonwealth. The Kentucky Science and Engineering Foundation shall be a means to extend and expand the highly successful Kentucky Experimental Program to Stimulate Competitive Research, known as EPSCoR, which has leveraged state matching funds to bring additional federal research dollars to Kentucky, giving a return on the state's investment in this program by a multiple of three for every dollar of state funds invested in EPSCoR. The Kentucky Science and Engineering Foundation, expanding on the existing EPSCoR program and funding, shall be modeled in part on the National Science Foundation and shall make its own investments in peer-reviewed science and engineering research, to accelerate the rate of research and development funds and work to increase the amount of federal and
private sector funds for this work in Kentucky.

Section 23. The General Assembly realizes that while certain Kentucky manufacturing sectors have experienced impressive growth in the last two decades, the global economy of the twenty-first century requires profound changes if citizens of the Commonwealth are to be players in the American and world economy. Information technology, communications, and intellectual capital, rather than energy and raw materials, power today’s economy. The driving forces of the new economy are ideas, knowledge services, and higher-order skills. The following findings related to the current state of the Commonwealth indicate our need for immediate legislative action:

(1) In the area of innovation and invention, Kentucky currently underperforms no less than 46 other states in production of patents per million population;

(2) In the area of education, in 1998 only 4% of Kentucky's twelfth-graders took advanced placement courses in science, and only 44% of these students passed advanced placement science exams, and for the last decade Kentucky has ranked no better than 45th in the number of science and engineering graduate students per 100,000 population;

(3) In the area of research, Kentucky receives only 2.8 of the Small Business Innovation Research grants per 100,000 population, compared to 116.2 grants in the top-performing states, and for the last decade Kentucky has ranked no better than 46th in research and development expenditures per person; and

(4) In the area of entrepreneurship, in 1998 Kentucky created only 2.4 new firms per 1,000 state residents compared to leader states creating almost 7 companies per 1,000 residents, and despite recent gains, in 1999 Kentucky ranked 47th in the number of very fast growth companies in the country, and in 1997, Kentucky ranked 48th in self-employment, and Kentucky has had no technology sector initial public offerings issued from 1997 through October 1999.

Section 24. This Act shall be called the Kentucky Innovation Act.