

**Senate Study Bill 3180 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON BOUSSELOT)

**A BILL FOR**

1 An Act providing for investment by regents institutions in  
2 certified innovation funds and including effective date  
3 provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 262C.1 Findings and purpose.

2 1. *Legislative findings.* The general assembly finds and  
3 declares all of the following:

4 a. The state of Iowa has established state-certified  
5 innovation funds to promote the growth of high-potential  
6 early-stage companies, commercialize research, expand Iowa's  
7 technology ecosystem, and enhance economic competitiveness.

8 b. Iowa's three public universities collectively steward  
9 sizeable endowments that support the long-term missions of the  
10 institutions.

11 c. A modest, risk-appropriate allocation of endowment  
12 assets into state-certified innovation funds will do all of the  
13 following:

14 (1) Expand commercialization pathways for  
15 institution-developed technologies.

16 (2) Increase research to market conversions.

17 (3) Strengthen Iowa's innovation ecosystem.

18 (4) Generate economic benefits for communities throughout  
19 Iowa.

20 d. A one percent allocation of endowment assets represents  
21 a small, diversified portion of institution endowments,  
22 consistent with commonly accepted endowment investment  
23 practices and long-term portfolio strategies.

24 2. *Purpose.* The purpose of this chapter is to support  
25 economic growth in Iowa by requiring institutions to deploy a  
26 limited portion of their endowment assets into state-certified  
27 innovation funds while maintaining prudent investment standards  
28 and fiduciary responsibility to the endowment beneficiaries.

29 Sec. 2. NEW SECTION. 262C.2 Definitions.

30 As used in this chapter, unless the context otherwise  
31 requires:

32 1. "Board" means the state board of regents.

33 2. "Endowment assets" means all pooled, investable assets  
34 held for the benefit of an institution, including but not  
35 limited to foundation-managed endowments, quasi-endowments,

1 long-term investment pools, and assets held subject to  
2 donor-imposed restrictions.

3 3. "*Innovation fund*" means the same as defined in section  
4 15E.52.

5 4. "*Institution*" means a regents institution specified in  
6 section 262.7, subsections 1 through 3.

7 Sec. 3. NEW SECTION. **262C.3 Investment in innovation funds.**

8 1. By July 1, 2027, each institution shall ensure that  
9 no less than one percent of its total endowment assets are  
10 invested in one or more innovation funds. The one percent  
11 allocation shall be calculated based on the average quarterly  
12 market value of endowment assets for the most recently  
13 completed fiscal year.

14 2. An institution shall retain discretion to determine all  
15 of the following:

16 a. Which innovation funds to invest in.

17 b. When investments are made, subject to the requirements of  
18 this chapter.

19 c. The structure of commitments, provided that all  
20 investments comply with prudent investor standards.

21 3. An institution may implement investments required by  
22 this chapter through any of the following means:

23 a. Direct commitments.

24 b. Reallocation of existing assets.

25 c. Rolling commitments as capital is called, provided full  
26 compliance is achieved by the date provided in subsection 1.

27 4. Investments made pursuant to this chapter shall be  
28 managed in accordance with generally accepted institutional  
29 fiduciary standards applicable to endowment funds.

30 Sec. 4. NEW SECTION. **262C.4 Waiver — penalty for**  
31 **noncompliance.**

32 1. The board may grant an institution a one-year waiver from  
33 the requirements of this chapter if adequate innovation fund  
34 capacity is not available or market conditions would materially  
35 impair prudent investment.

1 2. If an institution fails to comply with this chapter  
2 without receiving a waiver, the board may do any of the  
3 following:

4 a. Direct the institution to carry out corrective action  
5 within a specified time frame.

6 b. If the institution fails to complete the corrective  
7 action required under paragraph "a" within the time frame  
8 specified by the board, withhold up to one-half of one percent  
9 of the moneys appropriated to the institution through the  
10 board in the fiscal year until the institution becomes fully  
11 compliant.

12 Sec. 5. NEW SECTION. **262C.5 Reports.**

13 1. Each institution shall submit an annual report to the  
14 board that includes all of the following:

15 a. The total endowment assets held by the institution.

16 b. The amount and percentage of total endowment assets  
17 invested in innovation funds.

18 c. The names of innovation funds the institution is invested  
19 in and the total commitments and capital deployed in each fund.

20 d. The expected or realized economic impact in Iowa of the  
21 investments.

22 2. The board shall compile the reports received pursuant  
23 to subsection 1 and submit a consolidated annual report to the  
24 general assembly by December 1 of each year.

25 Sec. 6. NEW SECTION. **262C.6 Standards for innovation funds.**

26 Innovation funds receiving investment under this chapter  
27 must support the commercialization of institution technologies,  
28 spinouts, or research-derived innovations and report such  
29 efforts through existing reporting and compliance obligations  
30 under section 15E.52 and rules adopted pursuant to that  
31 section. This section shall not be construed to require  
32 additional reporting beyond that required under section 15E.52  
33 and rules adopted pursuant to that section.

34 Sec. 7. NEW SECTION. **262C.7 List of innovation funds.**

35 The economic development authority shall maintain a public

1 list of all innovation funds eligible for investment by an  
2 institution pursuant to this chapter. The authority shall  
3 notify the board of any changes to the list.

4 Sec. 8. NEW SECTION. **262C.8 Implementation and construction**  
5 **of chapter.**

6 Implementation of this chapter shall not alter donor intent  
7 and shall be carried out in a manner consistent with applicable  
8 restrictions and fiduciary obligations. This chapter shall not  
9 be construed to alter donor intent, beneficiary designation,  
10 an institution's spending policy, or the permissible use  
11 of endowment distributions. This chapter addresses only  
12 investment allocation and implementation consistent with  
13 applicable fiduciary standards.

14 Sec. 9. **EFFECTIVE DATE.** This Act, being deemed of immediate  
15 importance, takes effect upon enactment.

16 **EXPLANATION**

17 The inclusion of this explanation does not constitute agreement with  
18 the explanation's substance by the members of the general assembly.

19 This bill requires the university of Iowa, Iowa state  
20 university, and the university of northern Iowa (institutions)  
21 to ensure that no less than 1 percent of their respective  
22 total endowment assets are invested by July 1, 2027, in one or  
23 more innovation funds certified by the economic development  
24 authority under Code section 15E.52.

25 The bill provides that each institution shall retain  
26 discretion to determine which innovation funds to invest in,  
27 when investments are made, and the structure of commitments.  
28 The bill authorizes an institution to implement investments  
29 through direct commitments, reallocation of existing assets,  
30 or rolling commitments as capital is called. Investments  
31 made pursuant to the bill shall be managed in accordance with  
32 generally accepted institutional fiduciary standards applicable  
33 to endowment funds.

34 The bill authorizes the state board of regents (board) to  
35 grant an institution a one-year waiver from the requirements

1 of the bill if adequate innovation fund capacity is not  
2 available or market conditions would materially impair prudent  
3 investment. If an institution fails to comply with the bill  
4 without receiving a waiver, the bill authorizes the board to  
5 direct the institution to carry out corrective action within  
6 a specified time frame, after which the board may withhold up  
7 to 0.5 percent of the moneys appropriated to the institution  
8 through the board in the fiscal year until the institution  
9 becomes fully compliant.

10 The bill requires each institution to submit an annual  
11 report to the board with specified content on investments under  
12 the bill and requires the board to submit a consolidated report  
13 to the general assembly by December 1 of each year.

14 The bill requires innovation funds receiving investment  
15 under the bill to support the commercialization of institution  
16 technologies, spinouts, or research-derived innovations and  
17 report such efforts through existing reporting and compliance  
18 obligations.

19 The bill requires the economic development authority to  
20 maintain a public list of all innovation funds eligible for  
21 investment by an institution and notify the board of any  
22 changes to the list.

23 The bill includes standards for implementation and  
24 construction of the bill relating to donor intent and other  
25 matters.

26 The bill takes effect upon enactment.