

HOUSE BILL REPORT

2SSB 5090

As Reported by House Committee On:
Community & Economic Development & Trade
Appropriations

Title: An act relating to innovation partnership zones.

Brief Description: Promoting innovation partnership zones.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Kastama, Shin, Franklin, Kilmer, Marr, Kauffman, Murray and Rasmussen; by request of Governor Gregoire).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/21/07, 3/29/07 [DPA];
Appropriations: 3/31/07 [DPA(APP w/o CEDT)s].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- Creates the Innovation Partnership Zones program.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

Staff: Tracey Taylor (786-7196).

Background:

In 2006, the Governor's Global Competitiveness Council (Council) issued their report "Rising to the Challenge of Global Competition." The Council's Research and Innovation Committee (Committee) Report found that research and innovation creates a cycle of development that yields increased living standards and globally competitive businesses. The Committee and Council proposed a broad 10-year plan that connects the importance of strong research and

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innovation with the creation of jobs, healthy economic growth and a high standard of living and broad opportunity throughout the state's economy, reaching people of all backgrounds and in all the state's geographic locations.

Summary of Amended Bill:

The Director of the Department of Community, Trade and Economic Development (DCTED) may designate areas in Washington as an "Innovation Partnership Zone" (IPZ).

In order to be designated an IPZ, an area must have three types of institutions within their boundaries: a university or college fostering commercially valuable research, a nonprofit institution creating commercially applicable research, or a national laboratory; the dense proximity of globally competitive firms in a research-based industry or industries, or of individual firms with innovation strategies linked to a university, community college, nonprofit institution or national laboratory; and training capacity either within the IPZ or readily accessible to the IPZ. In addition, an IPZ must have the support of a local jurisdiction, a research institution, an educational institution, an industry or cluster association, a workforce development council, and associate development organization, port, or chamber of commerce. The IPZ must also have identifiable boundaries within which an applicant will concentrate efforts to connect innovative researchers, entrepreneurs, investors, industry associations or clusters and training providers. The geographic area defined should lend itself to a distinct identity and have the capacity to accommodate firm growth.

The IPZ must be administered by an Economic Development Council, port, Workforce Development Council, city, or county.

Annually on October 1, the Director of the DCTED (Director) shall designate IPZs based on a review and evaluation of applications applying the legislative criteria, the estimated economic impact of the IPZ, and the evidence of forward-planning for the IPZ. The Director shall designate the IPZ Administrator. An IPZ designation shall be for a four-year period, after which the IPZ must reapply for the designation.

If the IPZ meets the other requirements of the fund source, then the IPZ may be eligible for the Local Infrastructure Financing Tool Program, the sales and use tax for public facilities in rural counties, and the Job Skills Program.

The DCTED must convene an annual information sharing event for IPZ Administrators and other interested parties.

The IPZs are required to provide performance measures as prescribed by the DCTED. These measures must include, but are not limited to, private investment measures, job creation measures, and measures of innovation.

The Commission shall, with the advice of an Innovation Partnership Advisory Group selected by the Commission, have oversight responsibility for the implementation of the state's efforts to further IPZs throughout the state. The Commission must: provide information and advice

to the DCTED to assist in the IPZ program implementation; document clusters of companies throughout the state that have a comparative advantage or the potential for a comparative advantage; conduct an innovation opportunity analysis to identify the strongest current intellectual assets and research teams in Washington focused on emerging technologies and their commercialization, and the faculty and researchers that could increase their focus on technology commercialization if provided assistance and resources; and based on findings and analysis, and in conjunction with the Higher Education Coordinating Board (HECB) and research institutions, develop a plan to build on existing and develop new intellectual assets and innovation research teams as well as provide direction for the development of a comprehensive entrepreneurial assistance programs at research institutions.

The Commission must develop performance measures to be used in the evaluation of the performance of innovation research teams, the plans and programs and the performance of the IPZ grant recipients. A biennial report to the Legislature is due beginning December 12, 2012. In addition, the Commission must convene a working group with the Workforce Training and Education Coordinating Board to create a process and criteria for identifying substate geographic concentrations of firms or employment in an industry and the industry's customers, suppliers, and supporting businesses, and institutions. The Workgroup will also establish criteria for identifying strategic clusters which are important to the economic prosperity of the state.

There is a null and void clause on section 6 of the bill.

Amended Bill Compared to Second Substitute Bill:

The amended bill removes the Commission from a role in designating an IPZ. The amended bill adds the requirement that an IPZ have or show evidence of planning and local partnership that will lead to dense concentrations of research capacity, the dense proximity of globally competitive firms in a research based industry, and training capacity. The amended bill also removes references to the presence of research teams focused on emerging technologies.

The amended bill removes requirement that the IPZ applicant use labor market data, revenue growth rate data, wage levels and other factors to demonstrate the presence of firms that are important to the prosperity of the state and removes the list of eligible applicants. In addition, the amended bill authorizes the Director of DCTED to designate IPZs based on the applicants meeting the legislative criteria, the estimated economic impact of the IPZ and evidence of forward planning.

In addition, the amended bill specifies that so long as IPZs meet the program criteria, they may be eligible for economic development programs, including the Local Infrastructure Financing Tool (LIFT) program, the sales and use tax for economic development-related public facilities in rural counties, and the Job Skills program. The amended bill also removes the grant program and the direction that the DCTED must assist successful IPZ grant applicants identify and access any appropriate private, federal or state program that provides funding for planning, infrastructure, technical assistance or training.

The amended bill restores the provision that an IPZ designation is for four years and an IPZ can reapply for designation. Further, the amended bill directs the DCTED to convene an annual information sharing event for IPZ administrators and other interested parties. The amended bill directs IPZs to provide performance measures as required by the DCTED and must include private investment measures, job creation measures and measures of innovation. The Commission may annually review these performance measures.

Also, the amended bill amends the current LIFT statute to allow funds to be used for IPZs and amends the rural county .08 percent sales and use tax for economic development related public facilities statute to include IPZs. Finally, a null and void for section 6 of the act is added.

Appropriation: None.

Fiscal Note: New fiscal note requested on March 29, 2007.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, section 6 is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) This is an important additional tool for the economic development tool box. It is important to note that the IPZ designation process fits where the zones naturally occur and is not necessarily tied to state resources. This bill also provides a framework for inspiring innovation by encouraging local leadership to come forward. The star researcher program is a concept that is used well throughout the country. The star researcher element of this bill will allow our research institutions to recruit the best intellect from around the world on a more consistent basis and is based on the Commission recommendations.

(Opposed) None.

Persons Testifying: Senator Kastama, prime sponsor; Dodd Snodgrass, Port of Bellingham; Bruce Kendall, Washington Economic Development Association; Marc Baldwin, Office of the Governor; R. Lee Cheatham, Washington Technology Center; and Sherry Burkey, Western Washington University.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Community & Economic Development & Trade. Signed by 31 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist and P. Sullivan.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Community & Economic Development & Trade:

The bill as amended by the Appropriations Committee removes the requirement that the Director of the Department of Community, Trade and Economic Development (DCTED) designate innovation partnership zone administrators. The DCTED and the Washington State Economic Development Commission's requirement to conduct an innovation opportunity analysis is removed. The Higher Education Coordinating Board, research institutions, and DCTED are no longer required to develop a plan to build on existing intellectual assets and innovation research teams where there is a high potential to commercialize technologies, or report to the Governor and the Legislature on the plan. The amended bill clarifies that the null and void clause applies only to section 5, not the entire act.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, section 5 is null and void unless funded in the budget.

Staff Summary of Public Testimony:

None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.