

# HOUSE BILL REPORT

## SSB 5545

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to economic development.

**Brief Description:** Allowing businesses in this state to participate in the small business innovation research program.

**Sponsors:** Senate Committee on Labor, Commerce & Trade (originally sponsored by Senators Sheldon, Cantu, Rasmussen and Kohl).

### Brief History:

#### Committee Activity:

Trade & Economic Development: 3/22/95 [DP].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 11 members: Representatives Van Luven, Chairman; Radcliff, Vice Chairman; D. Schmidt, Vice Chairman; Voloria, Assistant Ranking Minority Member; Backlund; Hatfield; Hickel; Mason; Sherstad; Skinner and Valle.

**Staff:** Kenny Pittman (786-7392).

**Background:** The Federal Small Business Innovation Research (SBIR) program reserves a portion of an agency's research and development effort for awards to small business concerns. The program applies to agencies with research and development budgets in excess of \$100 million. The Federal agencies can award grants to small companies whose technology shows the greatest potential to lead to commercialization or fabrication.

The SBIR grants are awarded in two phases. Small businesses are awarded a phase I contract to perform basic research on an idea or ideas that support the granting agency's mission. This work is then reviewed for scientific merit and technical feasibility before a granting agency awards a phase II grant for research and development. The agency review period between phase I and phase II SBIR grants can range from six to nine months.

**Summary of Bill:** The Department of Community, Trade, and Economic Development (Department) is directed to establish a program to assist small businesses obtain phase I and phase II grants through the Federal Small Business Innovation Research (SBIR) program.

The department is directed to establish a proposal review component to assist small businesses obtain phase I SBIR grants. The department's technical assistance includes a review of the proposal for phase I SBIR grants. The proposal review is conducted by a previous SBIR participant or a two-member team composed of an experienced grant writer and a previous SBIR participant. The department is authorized to charge fees for its services.

The department is directed to establish a competitive grant component to assist small businesses that have completed their phase I SBIR contract and are awaiting a phase II SBIR award from the federal agency. The department may make grant awards up to \$25,000 to those small businesses whose technology shows the greatest potential to lead to commercialization and fabrication within the state and that demonstrate need for the state funds.

The department must condition the grant awards to the small business. The contract conditions include requiring the small business: (1) To conduct the research within the state; (2) To continue operation in the state when the product, process, or service is commercialized; (3) To demonstrate that it has the financial resources to continue its research in an amount equal to the grant amount; locate the principal place of business in the state; and (4) To return to the state a portion of any license, patent, copyright, or royalty income up to the amount of the state grant generated as a result of the research. The department may require the repayment of the grant amount, plus interest, if the business fails to meet the terms of the contract.

Proprietary information obtained from a small business requesting assistance under both programs is not subject to public disclosure.

The department must adopt rules to implement the programs.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** Many small businesses in that state are involved or want to be involved in federal research and development activities. Some of them need technical assistance to start the process or financial assistance to continue. The bill would help those small businesses in both cases.

**Testimony Against:** None.

**Testified:** Senator Betty Sheldon, Sponsor (Pro).