

# SENATE BILL REPORT

## SSB 5545

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As Reported By Senate Committee On:  
Labor, Commerce & Trade, January 31, 1996

**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:** Labor, Commerce & Trade: 1/26/95, 2/7/95 [DPS, DNP]; 1/31/96 [DP].

Ways & Means: 2/22/95, 2/23/95 [DPS (LAB)].

Passed Senate, 3/13/95, 48-0.

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** Do pass.

Signed by Senators Pelz, Chair; Heavey, Vice Chair; A. Anderson, Deccio, Franklin, Fraser, McDonald, Newhouse and Wojahn.

**Staff:** Jack Brummel (786-7428)

**Background:** Federal Small Business Innovation Research program grants (SBIR) are awarded by federal agencies with research and development budgets of \$100 million or more. The congressional presumption in passing the 1982 legislation authorizing the grants was that highly innovative small technology companies can make a disproportionate contribution to the economic well-being of our economy, if they receive encouragement and support from the government. The encouragement and support had long been available to larger research and development firms.

SBIR grants are awarded in phases. Firms are first awarded a phase I contract to perform basic research on an idea or ideas coinciding with a 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. Many small technology companies in the state could qualify for SBIR grants but lack personnel with grant writing skills. During the review period before a phase II grant is awarded, small firms may be forced to close their operations while waiting for funding, jeopardizing their ability to continue their work. Several states have programs that complement the federal SBIR grant program by assisting firms in grant applications and providing bridge grants between phase I and phase II of the federal program.

**Summary of Bill:** The Department of Community, Trade, and Economic Development is directed to establish a proposal review program to assist Washington firms applying for phase I SBIR grants. The department is authorized to charge fees for this service.

The department is directed to establish a competitive grant program to assist firms that have been awarded a phase I SBIR grant and are awaiting a phase II award. Grants cannot exceed \$25,000 and must be awarded to firms whose technology show the greatest potential to lead to commercialization and fabrication within the state. The grant awards are conditioned upon the business entering into a contract obligating it to continue operations in the state, and return to the state a portion of any license, patent, copyright, or royalty income up to the amount of the grant award.

**Appropriation:** None.

**Fiscal Note:** Requested on January 25, 1995.

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

**Testimony For:** Smaller firms are more innovative and produce more new products than larger firms. It would also increase the range of opportunities for hi-tech employees when they are laid off.

**Testimony Against:** None.

**Testified:** Senator Sheldon, prime sponsor; Clyde Barlow, Barlow Scientific (pro).