

# SENATE BILL REPORT

## SB 5545

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As Reported By Senate Committee On:  
Labor, Commerce & Trade, February 7, 1995  
Ways & Means, February 23, 1995

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

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

**Sponsors:** Senators Sheldon, Cantu, Rasmussen and Kohl.

**Brief History:**

**Committee Activity:** Labor, Commerce & Trade: 1/26/95, 2/7/95 [DPS, DNP].  
Ways & Means: 2/22/95, 2/23/95 [DPS (LAB)].

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### SENATE COMMITTEE ON LABOR, COMMERCE & TRADE

**Majority Report:** That Substitute Senate Bill No. 5545 be substituted therefor, and the substitute bill do pass.

Signed by Senators Pelz, Chair; Deccio, Franklin, Fraser, Hale, Palmer and Wojahn.

**Minority Report:** Do not pass.

Signed by Senator Heavey, Vice Chair.

**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 Substitute 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.

**Substitute Bill Compared to Original Bill:** Language relating to the department's obligation to charge fees and contract with grantees was added in the substitute bill.

**Appropriation:** None.

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

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

**Testimony For:** The 2.5 percent of federal research and development funds set aside for small business innovation research grants is an excellent source of funds for starting innovative businesses. The commercial output from SBIR grants is six to eight times the output per dollar from research and development grants to universities. More than a dozen states provide support similar to that provided in this bill.

**Testimony Against:** None.

**Testified:** PRO: Senator Sheldon; Clyde Barlow, Barlow Scientific, Inc.; Joe Clark, Videodiscovery.

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5545 as recommended by Committee on Labor, Commerce & Trade be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Long, McDonald, Pelz, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West and Winsley.

**Staff:** Tracy Cox (786-7437)

**Testimony For:** None.

**Testimony Against:** None.

**Testified:** No one.

