

# SENATE BILL REPORT

## E2SSB 6518

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As Amended by House, March 12, 2014

**Title:** An act relating to terminating the operations of innovate Washington and transferring property from innovate Washington to Washington State University and the department of commerce.

**Brief Description:** Terminating the operations of innovate Washington and transferring property from innovate Washington to Washington State University and the department of commerce.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Chase; by request of Washington State Department of Commerce).

**Brief History:**

**Committee Activity:** Trade & Economic Development: 2/06/14 [DPS-WM].

Ways & Means: 2/25/14, 2/26/14 [DP2S].

Passed Senate: 3/04/14, 47-0.

Passed House: 3/12/14, 97-0.

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### SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 6518 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newby and Pedersen.

**Staff:** Edward Redmond (786-7471)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6518 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

**Staff:** Julie Murray (786-7711)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:** In 2011 the Legislature created Innovate Washington as the successor agency to the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute to serve as the primary state agency focused on growing Washington's innovation-based economy and to respond to the technology transfer needs of existing businesses. Innovate Washington was created to:

- facilitate research and technology transfer opportunities supportive of state industries;
- provide mechanisms for collaboration between technology-based industries and higher education institutions;
- help businesses secure research funds and develop and integrate technology into new products;
- offer technology transfer and commercialization training opportunities for students;
- serve as the lead entity for coordinating clean energy initiatives; and
- administer technology and innovation grant and loan programs.

Innovate Washington's governance structure includes a 15-member board consisting of seven private-sector executives appointed by the Governor, four legislators, the Governor or Governor's designee, the president or designees from the University of Washington and Washington State University (WSU), and the Director of the Department of Commerce (Commerce).

The Investing in Innovation Account was also created by the Legislature as a non-appropriated account in the custody of the State Treasurer. Only the Executive Director of Innovate Washington or the Executive Director's designee has the authority to make expenditures from the account.

Innovate Washington has a performance agreement with the Innovate Washington Foundation (Foundation) under which the Foundation delivers the services for which Innovate Washington is responsible. The Foundation is governed by a separate board of directors than the board governing Innovate Washington.

In 2013 the Legislature eliminated all funding to Innovate Washington in the state operating budget. Innovate Washington, however, still exists as a state agency under statutory law.

**Summary of Engrossed Second Substitute Bill:** Innovate Washington is abolished on July 1, 2015, and its mission, powers, duties, and personal property will be transferred to Commerce. Commerce must honor any donor-imposed conditions on personal property.

The Sustainable Aviation Biofuels Work Group is transferred to the FAA Center of Excellence for Alternative Jet Fuels and Environment at WSU.

On July 1, 2014, all real property of Innovate Washington is transferred to WSU and the master lease for the Spokane Technology Center Building in Spokane, Washington is assigned to WSU. Innovate Washington must coordinate with the Department of Enterprise Services in assigning and transferring the master lease. The Office of Financial Management may allocate funds and assets, if necessary, to effectuate the transfer of Innovate Washington's responsibilities.

Statutory references pertaining to the agency are removed from statute. Chapter 70.210 RCW, the Investing in Innovation Grant Program, is repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2015, except for sections 1 and 7 which take effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee (Trade & Economic Development):** PRO: This is a Governor request bill and we are attempting to move it forward in the most expeditious manner possible. Speaking to the underlying bill, as the Innovate Washington agency goes away, the Innovate Washington Foundation continues to engage in a number of activities including federal grants that they are managing in the Governor's budget. The Governor did include some additional funding to continue those activities. The underlying bill set up a contractual agreement between Commerce and the Innovate Washington Foundation to continue some of those activities.

Testifying in support of transferring the two buildings to WSU. WSU is already the largest tenant in both buildings and provides maintenance support for one of them. The Innovate Washington Spokane building is located on the WSU campus where the university operates a pharmacy, a medical research facility, a small business development center, and an area health education center. The Technology Center building is adjacent to the Spokane campus and is home to WSU's applied science laboratory where we work with businesses and governments using our research to solve real-world problems, particularly in the areas of energy, advance materials, biomedical applications, and national security. The transfer of these two buildings will help to accommodate the recent plans to open a community health clinic on campus. Medical, pharmacy, and nursing students and students from the University of Washington will work in an inner-professional environment to develop their skills while providing healthcare services for the community.

Innovate Washington Foundation has a number of projects occurring such as SMART buildings and the Make it in America grant. Both projects, worth approximately \$12 million, were awarded by the federal government to the Innovate Washington Foundation. If the state does not provide a match, those grants will go back to the USEEA and will be awarded somewhere else outside of Washington State.

**Persons Testifying (Trade & Economic Development):** PRO: Senator Chase, prime sponsor; Nick Demerice, Commerce; Chris Mulick, WSU; Jim Hendrick, Innovate WA Foundation.

**Staff Summary of Public Testimony on Substitute as Passed by Trade & Economic Development (Ways & Means):** PRO: WSU is the largest tenant in the Spokane Technology Center. The transfer of the two buildings will increase our footprint in the

building and facilitate plans for a community health clinic. It will allow students to work and learn in a professional atmosphere while providing health care services for the community.

**Persons Testifying (Ways & Means):** PRO: Chris Mulick, WSU.

**House Amendment(s):**

- The Innovate Washington state agency and enabling statutes are abolished as of the effective date of the act, rather than on July 1, 2015.
- Real property of Innovate Washington is assigned and transferred to WSU on the effective date of the act, rather than July 1, 2014.
- In operating the 665 North Riverpoint Boulevard building and the Spokane Technology Center building, the amendment requires WSU to offer rental space to entities that provided services to Innovate Washington, such as the Innovate Washington Foundation, only in the Spokane Technology Center building, and not in the 665 North Riverpoint Boulevard building, and only at a rate equal to or greater to that charged to WSU prior to the effective date of the act.
- The underlying bill requires that entities that Innovate Washington state agency provided services to, such as participants in the business accelerator program, be offered rental space in the Spokane Technology Center building, and not in the 665 North Riverpoint building.
- Creates the Innovate Washington Program (Program) at Commerce. The Program generally performs the activities formerly done by Innovate Washington until June 30, 2015.
- Authority over the Investing in Innovation Account is transferred from Innovate Washington the state agency to Commerce for purposes of the Program.
- Replaces references to the FAA center of excellence for alternative jet fuels and environment with the WSU Office of Alternative Energy as the organization at WSU that is directed to convene a sustainable aviation biofuels workgroup.