

# HOUSE BILL REPORT

## SB 5490

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**As Passed House:**  
April 10, 2019

**Title:** An act relating to transferring duties of the life sciences discovery fund.

**Brief Description:** Transferring duties of the life sciences discovery fund.

**Sponsors:** Senators Frockt, Brown, Hobbs and Mullet.

**Brief History:**

**Committee Activity:**

Innovation, Technology & Economic Development: 3/20/19, 3/27/19 [DP].

**Floor Activity:**

Passed House: 4/10/19, 94-0.

**Brief Summary of Bill**

- Transfers duties and powers of the Life Sciences Discovery Fund Authority to the Department of Commerce (Department).
- Directs the Department to contract with a statewide nonprofit organization with a life science focus to receive funds previously allocated to the Life Sciences Discovery Fund, to grow the life science sector and improve the health of the state's residents.

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### HOUSE COMMITTEE ON INNOVATION, TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 9 members: Representatives Hudgins, Chair; Kloba, Vice Chair; Smith, Ranking Minority Member; Boehnke, Assistant Ranking Minority Member; Morris, Slatter, Tarleton, Van Werven and Wylie.

**Staff:** Kyle Raymond (786-7190).

**Background:**

The Life Sciences Discovery Fund (LSDF) was created in 2005 to promote life science research in Washington. The Life Sciences Discovery Fund Authority (Authority) was

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created and empowered to leverage revenues from the LSDF to provide grant opportunities for life sciences research and development.

The LSDF was managed by the Authority, which was governed by a board of trustees consisting of four legislators and seven members appointed by the Governor. The Authority solicited and reviewed grant applications until funding ceased in 2017. Under the Authority's granting conditions, some grantees will be required to make payments back to the LSDF for certain occurrences, including the commercialization or licensing of products or programs developed as a result of a grant.

The LSDF received funding, in part, from the Tobacco Master Settlement Agreement (MSA). The MSA is an agreement between state governments and tobacco manufacturers in the United States that helps reimburse states for additional Medicaid costs resulting from the adverse health effects of tobacco. The Legislature transferred funds from MSA strategic contribution payments to the LSDF from 2008 through 2017. The LSDF also received revenues from other public and private sources.

**Summary of Bill:**

The Legislature transfers powers and duties from the Authority to the Department of Commerce (Department). The Department may execute contracts on behalf of the Authority and manage and collect LSDF monies. Additionally, the Authority's limited liability provisions apply to the Department.

The Department is required to contract with a statewide nonprofit organization to provide services and grants to entities for the purpose of fostering growth in the state's life science sector and promoting the health of the state's residents. The statewide nonprofit may receive funds previously administered by the Authority, and will also monitor and collect LSDF grant payback funds. The statewide nonprofit must adopt policies and procedures to facilitate future life science-related grant making, and must adhere to certain criteria for the issuance of any future grants.

The Department is authorized to make expenditures from the LSDF for the purpose of transferring funds to the designated statewide nonprofit organization. Also, the Department may expend additional amounts from the LSDF for its administrative costs, which are limited to actual costs incurred to select its nonprofit designee and monitor and collect grant payback funds. Neither the state, nor the Department, is liable for any loss, damage, or harm resulting from grants made by the Authority or any life science research funded by such a grant.

Certain LSDF statutes are repealed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill addresses what happens to the funds collected from LSDF grantees that are obligated to pay back some profits made from a drug or a device developed from an LSDF grant. This bill requires the Department to contract with a nonprofit organization with a life sciences focus to use the grant payback funds for the same purpose as the LSDF. The Life Science Washington Institute is the nonprofit formed after the LSDF dissolved. The LSDF Board, before they dissolved, expressed support for this legislation.

(Opposed) None.

**Persons Testifying:** Becky Bogard, Life Science Washington.

**Persons Signed In To Testify But Not Testifying:** None.