
**State Government Operations &
Accountability Committee**

HB 1806

Brief Description: Encouraging the ethical transfer of technology for the economic benefit of the state.

Sponsors: Representatives Kenney, Haigh, Kessler, Morrell, Dickerson, Williams, P. Sullivan, Ericks, Anderson, McDermott, Wood, Linville, Moeller and Hudgins; by request of Governor Gregoire.

Brief Summary of Bill

- Allows state universities to develop, adopt, and implement administrative processes that apply to research employees in place of certain ethics laws.

Hearing Date: 2/15/05

Staff: Marsha Reilly (786-7135).

Background:

The Ethics in Public Service law prescribes ethical standards for state officers and state employees that might result in financial gain or conflict of interest. Prohibited activities include:

- having any interest or business which is in conflict with state duties;
- having an interest, either direct or indirect, in a contract, sale, lease, purchase, or grant that is under the officer's or employee's supervision;
- participating in a transaction involving the state in his or her official capacity with a person of which the officer or employee is an officer, agent, employee, or member, or in which the officer or employee owns a beneficial interest;
- accepting employment which might reasonably require the disclosure of confidential information obtained through state employment;
- accepting any compensation or benefit from sources other than the state for the performance of state duties;
- accepting anything of economic value given to influence the performance of state duties; and
- using state resources for personal benefit.

Technology transfer is the process that turns university discoveries and inventions into products that benefit the public and strengthen the state's economy. As an idea moves from a university laboratory to a licensing arrangement with a private company and to commercial development and production, success often depends on the continued involvement of the original faculty inventor.

In 1996, state ethics laws were amended to allow officers and employees of higher education institutions and the Spokane Intercollegiate Research and Technology Institute (SIRTI) to receive economic benefit from a contract or grant. Institutions of higher education and SIRTI must have a written administrative process, in compliance with federal law, to identify and manage, reduce, or eliminate conflicting interest in the transaction, and the state officer or employee must comply with the policy. The 1996 changes also allowed officers and employees of higher education institutions and SIRTI to serve as (1) an officer, agent, employee, or member, or on the board of directors, board of trustees, advisory board, or committee or review panel of any nonprofit institute, foundation, or fundraising entity; and (2) a member of an advisory board, committee, or review panel for a governmental or other nonprofit entity.

Summary of Bill:

The state ethics law is amended to encourage basic and applied scientific research. Each state university may develop, adopt, and implement one or more written administrative processes that shall apply, upon approval of the Governor, in place of the obligations imposed on state universities and state university research employees under the following state ethics laws:

- financial interests in transactions;
- assisting in transactions;
- employment after public service;
- compensation for official duties or nonperformance;
- compensation for outside activities;
- honoraria;
- gifts;
- limitations on gifts; and
- use of persons, money, or property for private gain.

University research employees who are in compliance with the administrative procedures adopted and approved are considered to be in compliance with the applicable ethics laws, and the state executive ethics board's authority is extended to enforce these policies.

The administrative processes developed relative to (1) financial interests in transactions, (2) compensation for official duties or nonperformance, (3) honoraria, (4) gifts, and (5) limitations on gifts must be consistent with and adhere to the current federal standards relating to promotion of objectivity in research.

The administrative processes developed pertaining to (1) assisting in transactions, (2) employment after public service, and (3) compensation for outside activities must include a comprehensive system for the disclosure, review, and approval of outside work activities by state university research employees while assuring that such employees are fulfilling their employment obligations to the state university.

The administrative processes developed with respect to use of persons, money, or property for private gain must include a reasonable determination of acceptable private uses having *de minimus* costs to the university and a method for establishing fair and reasonable reimbursement charges for private uses in excess of *de minimus*.

State university is defined as the University of Washington (UW) and Washington State University (WSU) and also includes any research or technology institute affiliated with a state

university, including SIRTl. State university research employee is defined as a state officer or state employee employed by a state university to the extent that officer or employee is engaged in research, technology transfer, approved consulting activities related to research and technology transfer, or other incidental activities. With the exception of UW and WSU, institutions of higher education may no longer identify and manage, reduce or eliminate conflicting interests on a grant or contract through an alternative process.

Appropriation: None.

Fiscal Note: Not requested.

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