
**Technology, Energy &
Communications Committee**

E2SSB 5581

Brief Description: Establishing the life sciences discovery fund authority.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Finkbeiner, Kohl-Welles, Rasmussen, Prentice, Hewitt, Fairley, Esser, Doumit, Keiser, Haugen, McAuliffe and Shin; by request of Governor Gregoire).

Brief Summary of Engrossed Second Substitute Bill

- Creates the Life Sciences Discovery Fund Authority (Authority) as an agency of the state.
- Allows the Authority to receive funds under the Master Settlement Agreement and leverage those funds with amounts received from public and private sources for the promotion of life sciences research.
- Allows the Authority to make grants to entities for the promotion of life sciences research to be conducted in the state.
- Prohibits human cloning.

Hearing Date: 3/29/05

Staff: Kara Durbin (786-7133).

Background:

In 2001, at the request of Governor Locke, leaders from Washington's research institutions, industry, government, and the community developed the framework of an initiative, known as "Bio 21," that would capitalize on existing assets at the convergence of the life sciences and information technology. Bio 21 calls for the state to direct a combination of public and private funds to the research sector through Fiscal Year 2018 to support research and commercialization of life sciences and information technology. In 2003, the Legislature provided funds from the Tobacco Master Settlement Agreement to support further development of this initiative.

The Tobacco Master Settlement Agreement is an agreement between 46 states, the District of Columbia, six territories, and five major tobacco product manufacturers. Under the agreement, participating manufacturers agree to make specified payments to the state and agree to abide by extensive public health restrictions on the advertisement, promotion, and marketing of cigarettes.

In exchange, the state agreed to release the participating manufacturers from claims by the states. Of that settlement, Washington is expected to receive approximately \$4 billion over a period of 25 years. Money was received under the settlement beginning in the 1999-2000 biennium and has been used to support tobacco prevention and control programs and as support for the Basic Health Plan and other health programs. In the 2002 legislative session, 29.2 percent of the revenue stream from the Tobacco Master Settlement Agreement was securitized, which made available to the state \$450 million.

Summary of Bill:

The Life Sciences Discovery Fund Authority (Authority) is created as a public instrumentality and agency of the state. The powers of the Authority are vested in a board of trustees. The board of trustees is composed of the chairs and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee. Seven additional members are appointed by the Governor and confirmed by the Senate, one member of which must be experienced in agricultural research. Board meetings are subject to the Open Public Meetings Act. The Authority is subject to audit by the State Auditor and is advised by the Attorney General. The Authority staff are exempt from state civil service.

The Life Sciences Discovery Fund is established as an account in the state treasury, subject to legislative appropriation. The fund retains its investment earnings.

The Authority can enter into an agreement with the state to receive the state's strategic contribution payments from 2008 to 2017 under the master settlement agreement. The Governor is authorized to assign to the Authority the right to receive these payments. In return for the right to receive the strategic contribution payments, the Authority promises to leverage those funds with amounts received from other private and public sources. The strategic contribution payments do not have to be transferred to the Authority if it does not have a commitment of \$20 million in nonstate contributions and \$10 million in contributions already received. When transferred, the payments are to be deposited into the Life Sciences Discovery Fund.

The Authority also has the power to enter into agreements with public and private entities other than the state to receive funds. In exchange, the Authority promises to leverage those funds with amounts received from other public and private sources.

In addition, the Authority has the power to make grants to entities pursuant to contract for the promotion of life sciences research to be conducted within the state. The Authority shall solicit requests for funding and evaluate the requests by considering the following factors:

- the quality of the proposed research;
- the potential for leveraging additional funding;
- the potential to provide health care benefits;
- the potential to stimulate health care delivery, biomedical manufacturing, and life sciences related employment in the state;
- the geographic diversity of the grantees within Washington;
- evidence of potential royalty income and contractual means to recapture such income; and
- evidence of public and private collaboration.

Individuals are prohibited from knowingly engaging or participating in human cloning, knowingly using public funds to engage or attempt to engage in human cloning, and knowingly using public

facilities to engage or attempt to engage in human cloning. Public employees are prohibited from allowing another individual to engage in or attempt to engage in human cloning while using public funds or facilities. Violation of any of these prohibitions is a class B felony.

The income of the fund is not subject to business and occupation taxes. Certain information in grant applications is exempt from public disclosure which, if revealed, would reasonably be expected to result in private loss to the providers of the information.

Appropriation: None.

Fiscal Note: Requested on March 15, 2005.

Effective Date: The bill contains an emergency clause and takes effect immediately, except for section 15, which takes effect June 30, 2005; section 18, which takes effect July 1, 2005; and section 19, which takes effect July 1, 2006..