

HOUSE BILL REPORT

HB 2679

As Reported by House Committee On:
Technology & Economic Development
Appropriations

Title: An act relating to consolidating the duties, powers, missions, functions, and funds of the life sciences discovery fund authority and the cancer research endowment authority within a center of excellence for life sciences and cancer research.

Brief Description: Consolidating the duties, powers, missions, functions, and funds of the life sciences discovery fund authority and the cancer research endowment authority within a center of excellence for life sciences and cancer research.

Sponsors: Representatives Morris and Stanford.

Brief History:

Committee Activity:

Technology & Economic Development: 1/21/16, 1/27/16 [DP];
Appropriations: 2/3/16, 2/8/16 [DP].

Brief Summary of Bill

- Establishes a Cancer Research Program within a new Center of Excellence for Life Science and Cancer Research (Center).
- Eliminates the Cancer Research Endowment Authority and Board, transferring its duties to the Life Sciences Discovery Fund Authority and Board.
- Modifies the Cancer Research Endowment Fund so that it only may include contributions from nonstate public and private sources.
- Changes the process for expenditures for cancer research grants from a nonappropriated State Treasury account.
- Authorizes the Center to develop recommendations to the Legislature for a program to identify and recruit top graduate students in the fields of life sciences and cancer research.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

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.

Majority Report: Do pass. Signed by 10 members: Representatives Morris, Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Fey, Hudgins, Rossetti, Santos, Wylie and Young.

Minority Report: Without recommendation. Signed by 3 members: Representatives Harmsworth, Magendanz and Nealey.

Staff: Jasmine Vasavada (786-7301).

Background:

Life Sciences Discovery Fund Authority.

In 2005 the Legislature created the Life Sciences Discovery Fund Authority (Authority) to provide funding opportunities to promote life sciences research. The Authority is governed by an 11-member board, with seven members appointed by the Governor and four members by the Legislature. In its grantmaking, the Authority is directed to leverage the state's investment in order to promote health, make the life sciences sector more competitive, and strengthen Washington's economy. In 2013 the Legislature directed the Authority to expend a portion of the Life Sciences Discovery Fund's (Fund) appropriation solely to promote the development and delivery of global health technologies and products. In 2015 the Authority was directed to advise the Liquor and Cannabis Board in granting marijuana research licenses.

Life Sciences Discovery Fund.

The Authority's Board, or the Board's designee, may authorize expenditures from the Fund. The Fund consists in large part of revenues from multi-state tobacco settlement payments, called "strategic contribution payments." Strategic contribution payments began in 2008 and will terminate in 2017. In 2015 a portion of the revenues from strategic contribution payments was allocated to the State General Fund instead of to the Fund.

Cancer Research Endowment Authority.

In 2015 the Legislature created the Cancer Research Endowment Authority (CREA). The Governor must appoint, but has not yet appointed, a 13-member board of trustees to govern the CREA. Members must be representatives of research universities, cancer research institutions, patient advocacy organizations, businesses engaged in commercialization of life sciences or cancer research, health care delivery systems, the Legislature, fund donors, and the public.

Cancer Research Endowment Program.

The CREA must oversee and develop a plan for allocation of funds in a Cancer Research Endowment Program. The purpose of the program is to make grants to public and private entities, including commercial entities, to fund or reimburse the entities for cancer research to be conducted in the state. The CREA must establish one or more scientific review and advisory committees for the purposes of evaluating grant proposals for cancer research and making recommendations for funding.

Role of a Program Administrator.

The CREA must contract with a program administrator to provide services including solicitation of grants, gifts and donations; grant distribution; and fund management. The program administrator must be a private nonprofit corporation with expertise in conducting or managing research granting activities, funds, or organizations.

Cancer Research Endowment Fund.

The program administrator must also establish the Cancer Research Endowment (CARE) Fund outside the State Treasury for the deposit of grants and contributions received from public and private sources. Assets in the CARE Fund are not considered state revenue. Funds must be used to fund grants for the CARE Program. The program administrator must take such action as is necessary to enable the CARE Fund to accept charitable contributions.

Cancer Research Endowment Fund Match Transfer Account.

The Cancer Research Endowment Fund Match Transfer Account (Account) is created in the custody of the State Treasurer. Funds in the Account are used to provide matching funds for the CARE Fund and administrative costs. The Director of the Department of Commerce may make expenditures from the Account for deposit into the CARE Fund upon proof of nonstate or private contributions to the CARE Fund. Expenditures may not exceed the total amount of nonstate or private contributions.

Tobacco Tax Enforcement.

Beginning July 1, 2016, the Account may receive up to \$10 million each fiscal year from tax collections and penalties generated from enforcement of state taxes on cigarettes and other tobacco products. The program administrator may provide technical assistance, information, and training to private employers and other potential donors to establish programs that facilitate charitable contributions to the CARE Fund, including tobacco use surcharge programs.

Summary of Bill:

Center of Excellence for Life Sciences and Cancer Research.

A Center of Excellence for Life Sciences and Cancer Research (Center) is created to promote sustained investment in life sciences and cancer research. The Center's powers are exercised by the Life Sciences Discovery Fund Authority (Authority). The Center is also encouraged to submit a report to the Legislature by December 1, 2016, with recommendations for how the state can recruit top graduate student talent in the fields of life sciences and cancer research.

Cancer Research Program.

A Cancer Research Program is created within the Center. The purpose of the Cancer Research Program is to make grants to public and private entities, including commercial entities, to fund or reimburse the entities pursuant to agreement for the promotion of cancer research to be conducted in the state. "Cancer research" means advanced and applied research and development relating to the causes, prevention, and diagnosis of cancer and care of cancer patients, including the development of tests, genetic analysis, medications, processes, services, and technologies to optimize cancer therapies and their manufacture and

commercialization, and includes the costs of recruiting scientists and establishing and equipping research facilities.

The Authority must oversee and guide the program, including the solicitation, selection, and award of grants. The Authority must develop and annually update a plan for the allocation of projected amounts in the Cancer Research Fund and the CARE Fund. Grant agreements from either fund must set forth the terms and conditions of the grant, including deliverables, circumstances where repayment or revenue-sharing would be necessary, and other terms.

Independent Expert Scientific Review and Advisory Committee.

The Authority must establish one or more independent expert scientific review and advisory committees (Committee) for the purposes of evaluating grant proposals for cancer research and making recommendations for funding. The Committee must consist of individuals with nationally recognized expertise in the scientific, clinical, ethical, commercial, and regulatory aspects of cancer research, prevention, and care. The Authority's Board must appoint the Committee's members. The Authority may not award a cancer research program grant for a proposal that was not recommended by an independent expert scientific review and advisory committee.

Cancer Research Fund.

The Cancer Research Endowment Fund Match Transfer Account, a nonappropriated account in the custody of the State Treasurer, is modified and renamed the Cancer Research Fund. The Authority's Board or its designee may authorize expenditures from the Cancer Research Fund to provide matching funds for cancer research grants and contributions, and administrative costs. The matched grants and contributions may be pledged by public and private sources, and may be pledged to public and private entities, including commercial entities. Expenditures may only be made as matching funds after the Authority has received proof from the prospective grantee that the grantee has received a commitment of public or private contributions equal to or exceeding the expenditure.

CARE Fund.

The existing CARE Fund is repealed and a new CARE Fund is established, also as a separate private account outside of the treasury. Grants and contributions from nonstate public and private sources may be deposited in the CARE Fund. Assets in the CARE Fund are not considered state revenue. Funds must be used to fund grants for the Cancer Research Program. The Authority may create additional legal entities and take such action as may be necessary or advisable to enable the CARE Fund to accept charitable contributions.

Tobacco Tax Enforcement.

Beginning July 1, 2016, the Cancer Research Fund may receive up to \$10 million each fiscal year from tax collections and penalties generated from enforcement of state taxes on cigarettes and other tobacco products.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Taxpayer investment was wasted when the Senate created a separate Cancer Research Endowment Authority (CREA) and did not migrate the value that has already been created in the Life Sciences Discovery Fund (LSDF), which has experience awarding grants for high quality life sciences and cancer research. The LSDF process is nationally acclaimed and vetted by the Academy of Sciences, and grants have milestones and metrics that are closely tracked. The Cancer Fund was enacted at the end of July without consultation with the policy committees, and it will take several years before the new Cancer Research Endowment Authority will be up and running and able to award the funds that have been budgeted. Creation of a Center of Excellence can ensure efficient administration of tax dollars. Since 2007 the LSDF has made more than 100 grants in life sciences, attracting over \$550 million in follow-on funding. The bill consolidates the LSDF with the CREA, allowing the LSDF to capitalize on its 10 years of experience, and ensure state grant money is matched by nonstate sources. More than one-third of the LSDF's grants have been made for cancer research. There is currently no nonprofit organization in Washington that has the experience, and is more ready to assume the role of program administrator that last year's Cancer Fund requires than the LSDF.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; and John DesRosier, Life Sciences Discovery Fund.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 20 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Cody, Fitzgibbon, Haler, Hansen, Hudgins, S. Hunt, Jinkins, Kagi, Lytton, Pettigrew, Robinson, Sawyer, Schmick, Senn, Springer, Sullivan, Tharinger and Walkinshaw.

Minority Report: Do not pass. Signed by 11 members: Representatives Chandler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Buys, Dent, Harris, MacEwen, Magendanz, Stokesbary, Taylor and Van Werven.

Minority Report: Without recommendation. Signed by 2 members: Representatives Condotta and Manweller.

Staff: Linda Merelle (786-7092).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology & Economic Development:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is about efficiency and capturing taxpayer investment. It captures the expertise of the Life Sciences Discovery Fund (LSDF). The LSDF is the only entity that is capable of administering the Cancer Research Fund, and the state can capitalize on the value that LSDF has created over the last 10 years of grantmaking, grant management, and programmatic development. The Center of Excellence for Life Science and Cancer Research will leverage the LSDF's experience in making grants to high-quality projects and programs in the field of cancer research and ensure that state monies are matched with nonstate sources.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; and John DesRosier, Life Sciences Discovery Fund.

Persons Signed In To Testify But Not Testifying: None.