

# HOUSE BILL REPORT

## HB 2833

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

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

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

**Sponsors:** Representatives Morris, Schmick and Hudgins.

**Brief History:**

**Committee Activity:**

Technology & Economic Development: 1/24/18, 1/30/18 [DP];  
Appropriations: 2/3/18, 2/6/18 [DPS].

**Brief Summary of Substitute Bill**

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

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### HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass. Signed by 16 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Santos, Slatter, Steele, Wylie and Young.

**Staff:** Kirsten Lee (786-7133).

**Background:**

In 2005 the Life Sciences Discovery Fund (Fund) was created 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 Fund, which included transfers made by the Legislature from Strategic Contribution Payments deposited into the Tobacco Settlement Account and other private and public sources, to provide grant opportunities to support life sciences research and development. The Fund received contribution payments from 2008 through 2017.

The Fund 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 Fund for certain occurrences, including the commercialization or licensing of products or programs developed as a result of a grant.

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**Summary of Bill:**

Certain Fund-related powers and duties are transferred from the Authority to the Department of Commerce (Department). The Department may execute contracts on behalf of the Authority and manage and collect monies in the Fund. Additionally, the limited liability provisions previously applied to the Authority, its board members, and the state, apply to the Department.

The Department is required to contract with a statewide nonprofit organization to provide services and grants to entities to foster growth of the state's life science sector and health of the state's residents, and to receive funds previously administered by the Authority. The organization 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 may also contract with this organization to monitor and collect Fund-issued grant payback funds.

The Department is authorized to make expenditures from the Fund for the purpose of transferring the funds to a statewide nonprofit organization. The Department may expend additional amounts from the Fund for its administrative costs, which are limited to actual costs incurred by the Department to designate the organization and to monitor and collect grant payback funds.

In addition to the state, the Department is not liable for any loss, damage, or harm resulting from grants made by the Authority or any life science research funded by such a grant.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2018.

**Staff Summary of Public Testimony:**

(In support) The Authority will cease operations June 30, 2018. There are contracts that contain payback clauses that will require parties to make payback payments after the Authority has ceased operations. The payback funds must be used to support the state's life science ecosystem. In order to reinvest the payback funds as originally envisioned by the Authority, the Fund board has worked with legal counsel at the Department and the Authority to develop a solution that works to properly reinvest payback dollars. The bill is a good solution and framework to manage the payback funds as originally intended.

(Opposed) None.

**Persons Testifying:** Mark Cummings, Life Science Washington.

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

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**HOUSE COMMITTEE ON APPROPRIATIONS**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Graves, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Tharinger, Vick and Wilcox.

**Minority Report:** Do not pass. Signed by 1 member: Representative Taylor.

**Staff:** Meghan Morris (786-7119).

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

The substitute bill clarifies that the Department of Commerce (Department) pays Life Science Discovery Fund monies to a selected statewide nonprofit organization only pursuant to a contract for certain life science related services. The Department, in lieu of the Life Science Discovery Fund Authority, may adopt rules for the implementation of this act.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on July 1, 2018.

**Staff Summary of Public Testimony:**

(In support) The anticipated money to be returned by grantees will not be a lot of money, probably around \$50,000, but every dollar invested in life science is important.

(Opposed) None.

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

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