

HOUSE BILL REPORT

HB 1335

As Passed House:
March 1, 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: Representatives Slatter, Schmick, Kloba and Springer.

Brief History:

Committee Activity:

Innovation, Technology & Economic Development: 1/22/19, 2/5/19 [DP].

Floor Activity:

Passed House: 3/1/19, 94-0.

Brief Summary of Bill

- Transfers certain 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.

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 (Fund) 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 Fund to provide grant opportunities to support life sciences research and development. The revenues from the Fund included transfers made by the Legislature from Strategic Contribution Payments deposited into the Tobacco Settlement Account and other private and public sources. 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.

Summary of Bill:

Certain Life Sciences Discovery Fund (Fund)-related powers and duties are transferred from the Life Sciences Discovery Fund Authority (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 that 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.

Appropriation: None.

Fiscal Note: Available.

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) The purpose of the bill is to make sure the intent of the Life Sciences Discovery Fund (Fund) is carried out, even though the fund ceased operations last year. Businesses that

received funding were obligated to return funds if they commercialized products and made a profit, and this bill gives those funds a place to go. The Department of Commerce will pass the funds through a nonprofit, whose purpose is to try to get more life science organizations going.

The Fund has backed a range of important research and commercialization projects, including 111 grants worth about \$105 million, which helped attract another \$510 million in additional funding. The Fund supported more than 40 startup companies and 3,500 employees.

Every investment in life sciences matters, and investments help continue to build a robust life sciences economy and a pro-growth environment to attract investment and jobs. This bill helps ensure a sustained support for grants and projects aimed at growing the life science sector and improving the health of all Washingtonians.

We want to make sure that remaining funds from the Fund go back to its original intent, which was to grow the industry and the life sciences sector, rather than go back into the General Fund. The overall fund amounts are relatively small, and the bill has support from relevant agencies.

(Opposed) None.

Persons Testifying: Marc Cummings, Life Science Washington.

Persons Signed In To Testify But Not Testifying: None.