

# SENATE BILL REPORT

## HB 1335

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As Reported by Senate Committee On:  
Financial Institutions, Economic Development & Trade, March 14, 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:** Passed House: 3/01/19, 94-0.

**Committee Activity:** Financial Institutions, Economic Development & Trade: 3/14/19 [DP, w/oRec].

### Brief Summary of Bill

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

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** Do pass.

Signed by Senators Mullet, Chair; Wilson, L., Ranking Member; Das, Ericksen and Hobbs.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Hasegawa, Vice Chair.

**Staff:** Kellee Gunn (786-7429)

**Background:** In 2005, the Legislature created the LSDF to make grants to entities promoting life sciences in the state, with certain requirements regarding benefit to the state and quality of research. The LSDF was managed by a board of trustees (Authority) consisting of eleven members, including four legislators and seven members appointed by

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the Governor. Under the Authority's granting conditions, some grantees are required to make payments back to the LSDF in certain incidences, including the commercialization or licensing of products or programs developed as a result of a grant.

The LSDF was a recipient of the Tobacco Master Settlement Agreement (MSA), the agreement between the states and United States tobacco manufacturers to help reimburse the states for Medicaid costs caused by tobacco use. The LSDF received strategic contribution amounts from the MSA from 2008 until 2017.

The Legislature directed the LSDF in 2015 to be a self-sustaining entity by the end of fiscal year 2017, and correspondingly transferred available funds in the LSDF to the state general fund in the 2015 state operating budget.

**Summary of Bill:** Commerce is directed to contract with a statewide nonprofit to provide services and award grants related to fostering growth of the state's life science sector and improving the health and economic well-being of Washington State residents. The statewide nonprofit must also monitor and collect LSDF grant payback funds. In considering new grant award funding, the selected nonprofit organization must consider the health benefit to the state's residents, and quality of research, amongst other measures.

The selected nonprofit shall develop policies and procedures to facilitate the orderly process of grant application, review, and reward. The nonprofit may create one or more advisory boards composed of scientists, industrialists, and others familiar with life sciences research to assist in grant evaluation.

Commerce shall take on the general powers granted to LSDF, including being sued on behalf of LSDF. The state, LSDF, and Commerce are not liable for any loss, damage, harm, or other consequence resulting directly or indirectly from grants made by LSDF or the research funded by LSDF grants. LSDF, and its grants, are under the authority of Commerce and appropriation is not required for expenditure.

Certain statutes referencing the LSDF are repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: As a clinical researcher, I support the work of scientists. There is a role for government to support scientists before investors are ready to support innovative ideas. For some contracts, the initial funding required scientists to pay back a certain amount to the LSDF. This bill will allow the nonprofit to receive those funds and grant them back to other scientists. This bill's senate companion has already passed out of this committee. This was supported by the Life Sciences Fund Discovery Board, before they dissolved. This would fulfill the contracts regarding pay back by LSDF recipients

whose products go commercial. Doctors are great at discovering things, but they are not the best business people. The funds will still go to Commerce, and then flow to the nonprofit.

**Persons Testifying:** PRO: Representative Vandana Slatter, Prime Sponsor; Becky Bogard, Life Science Washington.

**Persons Signed In To Testify But Not Testifying:** No one.