

HOUSE BILL REPORT

SSB 6163

As Reported By House Committee On:
Trade, Economic Development & Housing

Title: An act relating to economic development.

Brief Description: Allowing businesses in this state to continue participating in the small business innovation research program.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Sheldon, Bluechel, Skratek, Williams and Oke).

Brief History:

Reported by House Committee on:
Trade, Economic Development & Housing, February 24, 1994,
DPA.

HOUSE COMMITTEE ON TRADE, ECONOMIC DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 13 members: Representatives Wineberry, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Backlund; Campbell; Casada; Conway; Quall; Sheldon; Springer; Valle and Wood.

Staff: Kenny Pittman (786-7392).

Background: The Small Business Innovation Research Program is a program where a portion of a federal agency's research or research and development effort is reserved for award to small business concerns. The program applies to federal agencies with research and development budgets in excess of \$100 million.

Under the federal program, small businesses are first awarded a phase I contract to perform basic research on an idea or ideas coinciding with a granting agency's mission. This work is then reviewed for scientific merit and technical feasibility before a granting agency awards a phase II grant for research and development.

During this review period, a small business may be faced with a gap in funding that ranges from six to nine months and that can threaten the businesses' viability.

The Legislature created the Washington Economic Development Finance Authority (WEDFA) to help meet the capital needs of small and medium-sized businesses. WEDFA may issue nonrecourse revenue bonds to carry out its programs, which may be issued either on a tax-exempt or taxable basis. The bonds are not obligations of the state of Washington. WEDFA is also prohibited from lending the state's credit.

Summary of Amended Bill: WEDFA is authorized to develop and implement a program to assist federal Small Business Innovation Research contract winners. WEDFA may provide assistance to Washington small businesses that have completed their phase I contract and are awaiting a phase II award from the federal agency.

WEDFA may make loans up to \$25,000 to firms whose technology shows the greatest potential to lead to commercialization and fabrication within the state. The assistance may be conditioned upon the receipt of a share of any license, patent, copyright or royalty benefitting the recipient.

Amended Bill Compared to Substitute Bill: The competitive grant program within the Department of Community, Trade and Economic Development is replaced with a loan program within WEDFA. Reference to a state general fund appropriation for the grants is deleted.

Fiscal Note: Requested February 24, 1994.

Effective Date of Amended Bill: The bill takes effect July 1, 1994.

Testimony For: In the federal Small Business Innovation Research program, there is a lag of six to nine months between the date small businesses submit a request for additional funding and the date they receive it. During this period, many businesses are in need of financial assistance to continue operation. State assistance would keep them in operation until they receive additional federal research funds for their project.

Testimony Against: None.

Witnesses: Senator Betti Sheldon, prime sponsor (pro); and Clyde Barlow, Barlow Scientific (pro).