

HOUSE BILL REPORT

2SHB 1003

As Amended by the Senate

Title: An act relating to investing in technology and biotechnical research and technology transfer.

Brief Description: Creating the research and technology transfer commission.

Sponsors: By House Committee on Appropriations (originally sponsored by Representatives Morris, Linville, Wood, Anderson, O'Brien and Sullivan).

Brief History:

Committee Activity:

Technology, Telecommunications & Energy: 1/15/03, 2/21/03 [DPS];
Appropriations: 3/5/03, 3/6/03 [DP2S(w/o sub TTE)].

Floor Activity:

Passed House: 3/15/03, 81-13.
Senate Amended.
Passed Senate: 4/16/03, 48-0.

Brief Summary of Second Substitute Bill

- Creates the Research and Technology Transfer Commission to administer a grant program for research in technology, including biotechnology, telecommunications, and energy.
- Creates the Investing in Innovation Account.
- Requires the Commission to report to the appropriate legislative committees on grant program reviews.

HOUSE COMMITTEE ON TECHNOLOGY, TELECOMMUNICATIONS & ENERGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; Ruderman, Vice Chair; Sullivan, Vice Chair; Crouse, Ranking Minority Member; Anderson, Blake, DeBolt, Hudgins, Kirby, Romero and Wallace.

Minority Report: Do not pass. Signed by 6 members: Representatives Nixon, Assistant Ranking Minority Member; Bush, Delvin, McMahan, Tom and Wood.

Staff: Pam Madson (786-7166).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Telecommunications & Energy. Signed by 17 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Cody, Conway, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McIntire, Miloscia, Pflug, Ruderman, Schual-Berke and Talcott.

Minority Report: Do not pass. Signed by 8 members: Representatives Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Alexander, Buck, Clements, Cox, McDonald and Sump.

Staff: Amy Skei (786-7140).

Background:

Several factors are necessary to produce a desirable environment for a strong biotechnology and technology industry. Washington State and the Seattle area have been in a strong position to attract and retain technology companies. The state's strong technology research capability and an existing technology industry infrastructure are factors that are noted when compared to other areas.

Some states have enhanced their research capability in technology research by establishing research funds using money awarded to that state from the Master Tobacco Settlement Agreement. For example, Ohio created the Biomedical Research and Technology Transfer Trust Fund that receives money from the state's annual allocation of tobacco settlement funds. Money from the Trust Fund supports competitive grants for biomedical research and technology transfer projects that will improve the health of Ohio citizens with an emphasis on tobacco-related illnesses.

Technology research is funded by a variety of sources. Basic biomedical research is funded by the National Institutes of Health. Pharmaceutical companies and their investors fund applied research and commercialization of new medicines and medical technologies. The U.S. Department of Energy provides funds for research in energy technology.

The Washington Technology Center (WTC) facilitates collaboration between the state's research universities and the technology industry. Its mission is to "help Washington companies overcome the technical challenges of product development by linking them with the scientific and engineering resources of the state's universities." The WTC is administered by a board of directors appointed by the Governor that includes 14 industry members, eight university members and four ex officio members. Included in its duties

are establishing priorities for the selection and funding of research projects as well as approving and allocating funding for research projects conducted by the WTC.

Summary of Second Substitute Bill:

The Research and Technology Transfer Commission (Commission) is created. Its membership includes the board of directors of the Washington Technology Center (WTC) and four members of the Legislature. The Executive Director of the WTC serves as Chair of the Commission and the Commission is staffed by the WTC.

The Commission makes strategic assessments of state investments in biomedical research and biomedical technology, and technology, telecommunications, and energy research. These investments must help create jobs and business opportunities, produce long-term improvements in public health with an emphasis on cancer research, cardiovascular, and smoking-related illnesses, and make telecommunications and energy technology more available and affordable. Biomedical and biotechnology grants may be awarded to qualifying universities, institutions, or individuals. Technology, telecommunications, and energy grants may be awarded to higher education research institutions in Washington State.

The Commission awards contracts or grants using criteria established by the Commission. The Commission must also use the investment assessments as guidance for awards. Priority is given to proposals that leverage additional funding.

Not more than 1 percent of available funds may be used to administer the program.

The Investing in Innovation Account is created. The account is non-appropriated and the interest earned on the money in the account is retained by the account. Up to 10 percent of available funds from this account may be used to support commercialization opportunities in biomedical research in Washington State.

The Commission must establish benchmarks for the program and periodically review the program. The Commission must report findings of program reviews to appropriate standing committees of the Legislature.

EFFECT OF SENATE AMENDMENT(S):

Removes Research and Technology Transfer Commission and transfers duties to the Washington Technology Center; Requires strategic assessments of state investments that are likely to create jobs and improve long-term public health of state's citizens; Includes a peer review process for awarding grants and provides that grants may be awarded to qualifying businesses; Requires balance in grant award between research and commercialization; Clarifies that commercialization opportunities from research in Washington go through an organization with commercialization expertise like SIRTI in

Spokane; Prohibits WTC from being a direct grant recipient; and broadens scope of research allowable for a grant award.

Appropriation: None.

Fiscal Note: Requested on February 24, 2003.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (Technology, Telecommunications & Energy) : We are lagging behind many states in focusing our resources on research and development in technology and biotechnology. We need to make investments now in research and development to ensure the future of the state. Support for growth of Washington companies through research and technology development is critical. There are some issues to deal with including access to technology and capital, both addressed in this bill. Every state in the country is looking to develop a public policy environment that encourages companies to locate there. Diverting existing revenue sources needs to be done very carefully and with great deliberation. The strategy should be to look only at new money. There is concern that the regulatory penalty portion of this bill not become an incentive for additional litigation by the state. Maintaining a broad definition is important to effect the whole of the state's economy, not just one sector. It is important to use existing boards for guidance. The Washington Technology Center (WTC) should be used as the commission. It's a natural extension of the current research and technology development program that the WTC administers for the state. On the other hand, a new commission is important because the WTC and the Spokane Intercollegiate Research and Technology Institute have different missions. Part of this money should also be used for technology commercialization, creating infrastructure, and to create companies out of the technologies being developed. We would like to see the bill expanded to include other technologies, not just the biosciences, but this is a good first step. States who have used tobacco settlement money haven't taken the link between tobacco related illnesses and cancers to provide a policy justification to use the tobacco settlement money to fund research to cure those illnesses.

(With concerns): Unintended consequences of this bill will take away significant funds from existing state programs. There is an existing, very orderly, open process, called Power Washington, that handles funds from the court actions taken by the Attorney General's Office. There are very diverse parties involved in this and a lot of different people that have a restitutionary stake. An account already exists, the Energy Account. We need to see what is already in place. A full range of programs, not just a subset, that could be done in the energy field, particularly natural gas should be considered.

Testimony For: (Appropriations) The funding mechanisms may be the most

controversial part of this bill. We tried to be creative and use a strategy similar to what some other states have done with tobacco settlement money in this area. We should establish the technology transfer funds even if we need to strip out the funding mechanism. Other states are doing a lot with technology transfer in the high tech sector. These types of funds seem to be working successfully in other states and are constitutional in this state. Future growth will be in the technology sector, whether it be telecommunications, energy, or biotechnology. This plan would focus on leveraging dollars and comparing the viability of projects and their likelihood of creating jobs. We need to focus on what new technologies will be the best for Washington. This bill is an important tool for economic development and future growth. The important part is establishing the fund. It is a mechanism for improving the state's economy and for research and development in these various areas. This bill is fine as long as the funding mechanism is removed.

Testimony Against: (Technology, Telecommunications & Energy) This tobacco settlement money was given to Washington to address the drain on the system from people who smoked. The funding source in this bill is a concern. When the tobacco settlement was reached, the Attorney's General felt that money should be given to public health and tobacco prevention and control, but it was ultimately each state's decision. In Washington, legislation passed a couple years ago to put settlement money into public health and tobacco prevention and control. Recovery from lawsuits brought in the public's interest should go to the people harmed or, if you cannot give it to the people individually harmed, keep it within realm of reasons the lawsuit was brought. The doctrine of Cy-pres, a judicially created concept, states that where the victims of a wrong cannot be identified the money should go back toward the area from which the people who brought lawsuit were harmed. When a court sanctions a settlement based on Cy-pres the money under that settlement is directed to the purposes of the settlement. The Legislature put the tobacco money into the Health Services Account, which funds the Basic Health Plan, tobacco prevention programs, and medicaid coverage for kids. We should not pull out some of this money now, at a time when there is a budget crisis and further cuts to public health, including the Basic Health Plan, are expected. There is a compelling need and funding is still critical. There should be more specificity and clarification as to where the money in this bill will go. Also, it should include all smoking related illnesses and not be limited to cancer.

Testimony Against: (Appropriations) None.

Testified: (Technology, Telecommunications & Energy) (In support) Representative Morris, prime sponsor; Dr. Lee Cheatham, Washington Technology Center; Terry Byington, AeA; Linda Hull, Washington Biotechnology and Biomedical Association; and Patrick Tam, Spokane Intercollegiate Research and Technology Institute.

(With concerns) David Sjoding, Washington State University; Jane Yung Dennie, Washington State University; Tim Boyd, Industrial Customers for Northwest Utilities;

Lonnie Johns-Brown, The Arc of Washington State and The Washington Coalition of Sexual Assault Programs; and Nick Federici, American Lung Association of Washington.

(Opposed) Elaine Rose, Attorney General's Office; and Michael Shaw, American Heart Association.

Testified: (Appropriations) Representative Jeff Morris, prime sponsor; Scott Hazlegrove, Washington Technology Center; and Jacob C. Fey, Washington State University Energy Program.