
HOUSE BILL 2346

State of Washington 58th Legislature 2004 Regular Session

By Representatives Veloria, O'Brien, Kenney, Upthegrove, Santos, Murray, Sullivan, Simpson, G., Morrell and Hudgins

Prefiled 1/8/2004. Read first time 01/12/2004. Referred to Committee on Trade & Economic Development.

1 AN ACT Relating to investing in Washington businesses; adding new
2 sections to chapter 43.33A RCW; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that Washington is the
5 home to entrepreneurs and innovative technologies. The legislature
6 further finds that the availability of private equity for the start-up
7 and subsequent expansion of new businesses is critical to the continued
8 growth and development of Washington's economy. The legislature also
9 finds that investment in Washington firms would help accelerate
10 economic growth and increase the tax base. The legislature finds that
11 pension funds managed by the Washington state investment board
12 constitute a major financial resource of the state, and that such funds
13 may be prudently invested in start-up and emerging growth businesses in
14 this state under policies established by the Washington state
15 investment board. The legislature further finds that the goals of
16 maximizing investment returns, prudent levels of risk, fulfilling
17 fiduciary duties, ensuring adequate investment diversification,
18 promoting job creation, and strengthening the state's economy are
19 compatible and mutually beneficial. Therefore, the legislature

1 declares that the state investment board should sustain a level of
2 capital investment in Washington companies to foster economic growth
3 and the growth of the state employee's pension portfolio.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.33A RCW
5 to read as follows:

6 (1) In making and implementing investment decisions related to
7 private equity, the state investment board, its executive officer, and
8 the board's investment designees under RCW 43.33A.035 have a duty to
9 look first at Washington opportunities for diversification unless,
10 under the circumstances, it is not prudent to do so. This includes,
11 but is not limited to, providing seed capital to start-up or emerging
12 businesses or placing money with Washington private equity firms for
13 investment by the private equity firms in Washington start-up and
14 emerging businesses.

15 (2) The state investment board shall report biennially to the
16 legislative fiscal and economic development committees on the
17 implementation of this section and its impact on the economic
18 development of this state. The first report shall be delivered
19 December 1, 2004.

20 (3) As used in this section:

21 (a) "Emerging business" means a new or small company that has the
22 capacity, upon obtaining the appropriate capital, to generate
23 significant high skill, high wage employment.

24 (b) "Private equity" means equity financing that is provided for
25 starting up, expanding, or relocating a company, or related purposes
26 such as financing for seed capital, research and development,
27 introduction of a product or process into the marketplace, or similar
28 needs requiring risk capital.

29 (c) "Seed capital" means financing that is provided for the initial
30 phases of development, refinement or commercialization of a product,
31 process, or innovation, including but not limited to facilitating
32 technology transfers related to academic research, discoveries, or
33 developments for the purpose of commercialization of a product,
34 process, or innovation.

35 (d) "Start-up business" means a business in the act or instance of
36 being set in operation around a technology, product, or service based
37 on a sound business plan.

1 (e) "Washington private equity firm" means an entity that has a
2 majority of its employees in this state or that has at least one
3 managing partner domiciled in this state that has made significant
4 capital investment in Washington companies and that provides equity
5 financing for starting up or expanding a company, or related purposes
6 such as financing for seed capital, research and development,
7 introduction of a product or process into the marketplace, or similar
8 needs requiring risk capital.

9 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.33A RCW
10 to read as follows:

11 The state investment board shall not: (1) Invest more than twenty-
12 five percent of its funds in any single industry; (2) invest more than
13 five percent of its funds in any one company; or (3) own more than ten
14 percent of the equity of any business.

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