

# HOUSE BILL REPORT

## SSB 5902

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**As Reported by House Committee On:**  
Economic Development, Agriculture & Trade  
Appropriations

**Title:** An act relating to small business and entrepreneurial development.

**Brief Description:** Establishing a small business innovation research program proposal review process.

**Sponsors:** Senate Committee on International Trade & Economic Development (originally sponsored by Senators Eide, Shin, Zarelli, Doumit, Rasmussen and Pflug).

**Brief History:**

**Committee Activity:**

Economic Development, Agriculture & Trade: 3/29/05, 3/30/05 [DP];  
Appropriations: 4/2/05 [DPA].

**Brief Summary of Substitute Bill  
(As Amended by House Committee)**

- Establishes a Small Business Innovation Research application assistance program at the Washington Technology Center.

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### HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

**Majority Report:** Do pass. Signed by 21 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Kristiansen, Ranking Minority Member; Blake, Buri, Chase, Clibborn, Dunn, Grant, Haler, Holmquist, Kenney, Kilmer, Kretz, McCoy, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

**Staff:** Tracey Taylor (786-7196).

**Background:**

The Small Business Innovation Research (SBIR) program was established by the federal Small Business Innovation Development Act in 1982. In 1992, the SBIR program was expanded by the Small Business Research and Development (R&D) Enhancement Act of 1992, which extended the program through 2000. Subsequent legislation has extended the SBIR program to September 30, 2008.

The SBIR is a highly competitive program that encourages small businesses to explore their technological potential and provides the incentive to profit from its commercialization. The

risk and expense of conducting serious R&D efforts are often beyond the means of small businesses; however, by reserving a specific percentage of federal R&D funds for small business, the SBIR puts small businesses on the same level as larger businesses. The SBIR funds the critical startup and development stages and encourages the commercialization of the technology, product, or service.

Ten federal agencies set aside a portion of their extramural research and development budget each year to fund research proposals from small science and technology-based firms. The 10 federal agencies are: the Department of Agriculture; the Department of Commerce; the Department of Defense; the Department of Education; the Department of Energy; the Department of Health and Human Services; the Department of Transportation; the Environmental Protection Agency; the National Aeronautics and Space Administration; and the National Science Foundation.

In order to participate in the SBIR program, a small business must be American-owned and independently operated for profit firm with 500 or less employees and employ the principal researcher.

Following the submission of proposals, agencies make SBIR awards based on small business qualification, degree of innovation, technical merit, and future market potential. Small businesses that receive awards or grants then begin a three phase program. Phase I is the startup phase with awards to small businesses of up to \$100,000 for approximately six months to support the exploration of the technical merit or feasibility of an idea or technology. Phase II awards up to \$750,000 to a small business that has completed Phase I for as many as two years, to expand on the Phase I results. During Phase II, the R&D work is performed and the commercialization potential is evaluated. Phase III moves the innovation from the laboratory into the marketplace. No SBIR funds support Phase III work, instead the business must find private sector and other non-SBIR funding to support this work.

In Fiscal Year 2002, Washington ranked 11th in SBIR awards, with a total of 135 Phase I and II awards totaling \$43.2 million.

Federal funds have been available to train small businesses on how to participate in the SBIR program. Nearly half of the small businesses that received such training won SBIR awards, whereas less than 10 percent of the companies without training won SBIR funding. The Washington Technology Center (WTC) has been the recipient of training funds and has been providing the SBIR application training for Washington businesses. However, Congress has eliminated the funding for the training program in its budget for this fiscal year.

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### **Summary of Bill:**

The WTC must establish a SBIR assistance program which shall included a proposal review process to train and assist Washington small businesses to win Phase I SBIR awards. Priority shall be given to first-time SBIR applicants, new businesses, and firms with fewer than 10 employees. The WTC may charge a fee for the assistance program.

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**Appropriation:** The sum of \$45,000 for the biennium ending June 30, 2007, is appropriated to the Department of Community, Trade, and Economic Development.

**Fiscal Note:** Requested on March 23, 2005.

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

**Testimony For:** With the federal funding for the SBIR assistance program being eliminated, this bill would save a highly successful program. Part of the WTC's mission is to work with local businesses and help them develop. By providing training on SBIR applications, the grant award outcomes are greatly improved. A grant award allows a company to explore the technical merit of an idea or technology which not only creates that job, but may create jobs later if the research blossoms into a technology that can be commercialized.

**Testimony Against:** None.

**Persons Testifying:** Bill Stauffacher, Washington Technology Center.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

**Staff:** Nona Snell (786-7153).

### **Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Economic Development, Agriculture & Trade:**

The appropriation was removed.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** The Washington Technology Center provides economic development services to the state through a contract with the Department of Community, Trade and Economic Development. The bill restores federal funding that was cut for existing training

programs. The training helps applicants pursue grants. The Washington Technology Center relies on state, federal, and other funds. The state funds provided would fill the hole left by a cut to the federal funds.

**Testimony Against:** None.

**Persons Testifying:** Scott Hazlegrove, Washington Technology Center.

**Persons Signed In To Testify But Not Testifying:** None.