

SENATE BILL REPORT

E2SSB 5581

As Passed Senate, March 11, 2005

Title: An act relating to the strategic financing of life sciences research.

Brief Description: Establishing the life sciences discovery fund authority.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Finkbeiner, Kohl-Welles, Rasmussen, Prentice, Hewitt, Fairley, Esser, Doumit, Keiser, Haugen, McAuliffe and Shin; by request of Governor Gregoire).

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/8/05, 2/17/05 [DPS-WM, DNP].

Ways & Means: 3/2/05, 3/7/05 [DP2S, w/oRec].

Passed Senate: 3/11/05, 45-4.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5581 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Franklin, Vice Chair; Brown, Keiser and Prentice.

Minority Report: Do not pass.

Signed by Senators Parlette, Ranking Minority Member; and Honeyford.

Staff: Jennifer Strus (786-7316)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5581 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Brandland, Fairley, Kohl-Welles, Pridemore, Rasmussen, Regala, Rockefeller, Schoesler and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Hewitt, Parlette, Pflug and Roach.

Staff: Steve Jones (786-7440)

Background: At Governor Locke's request, the legislature provided funds in 2003 to contract with an outside entity to develop a plan to direct state and private resources to Washington's universities and nonprofit research institutions and their industry partners to make the state a leader in the emerging field of predictive and preventive medicine. The plan,

known as "Bio 21," developed by a committee comprised of scientists and staff from large research organizations, executives of biotech and technology companies, and venture capitalists among others, was designed to build upon Washington's existing assets in life sciences and information technology to generate new jobs and health care innovations. The plan was submitted to the Governor in January 2004 and this bill represents one of the plan's major recommendations.

Summary of Bill: The Life Sciences Discovery Fund Authority (Authority) is created as a public instrumentality and agency of the state. The Board of Trustees (Board) is composed of the chairs and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee. Seven additional members are appointed by the Governor and confirmed by the Senate, one member of which must be experienced in agricultural research. The Open Public Meetings Act applies to Board meetings. The Authority is subject to audit by the State Auditor and is advised by the Attorney General. The Authority staff are exempt from state civil service.

The Life Sciences Discovery Fund is established as an account in the state treasury, subject to legislative appropriation, and which retains its investment earnings.

The Authority can enter into an agreement with the state to receive the strategic contribution payments, expected to be received from 2008 to 2017, under the tobacco master settlement agreement resulting from the state's litigation against the major tobacco product manufacturers. The Governor is authorized to assign to the Authority the right to receive these payments, which are in addition to the tobacco master settlement payments and are for this state's direct involvement in settling the tobacco litigation. To receive these payments, the Authority promises to leverage these funds with amounts received from other private and public sources. The strategic contribution payments do not have to be transferred to the Authority if it does not have a commitment for \$20 million in nonstate contributions and \$10 million in contributions already received. When transferred, the payments are to be deposited into the Life Sciences Discovery Fund.

The Authority also has the power to enter into agreements with public and private entities to receive funds in exchange for which the Authority promises to leverage those funds as it must do with the strategic contribution payments. The Authority may make grants to entities for life sciences research.

Individuals are prohibited from knowingly engaging or participating in human cloning, knowingly using public funds to engage or attempt to engage in human cloning and knowingly using public facilities for engaging or attempting to engage in human cloning. Public employees are prohibited from allowing other individuals to engage in or attempt to engage in human cloning while using public funds or facilities. Violation of the bill is a class B felony.

The income of the fund is not subject to business and occupation taxes. Certain information in grant applications is exempt from public disclosure which, if revealed, would reasonably be expected to result in private loss to the providers of the information.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

Effective Date: The bill contains an emergency clause and takes effect on June 30, 2005.

Testimony For (Labor, Commerce, Research & Development): The Life Sciences Discovery Fund represents years of thinking, talking, and visualizing about what we, as a state, can do to revolutionize health care and agriculture. This fund provides the opportunity to provide jobs, as many as 20,000, and spur our economy by bringing together the research institutions, health care industry and high-tech community. UW and WSU are among the finest research universities in the country but rank 49th in state contributions to support them. This fund provides an opportunity to leverage the bonus tobacco money with other private and public money to raise up to \$1 billion to spur our economy, revolutionize health care to be predictive and preventive, to take the state's agriculture products and have greater yield and greater quality yield, and also provide the state with very good jobs. This state has some of the finest researchers in the country and this fund would position the state to attract and retain even more. To this end, the state needs to have more of an entrepreneurial relationship between the research institutions and the private sector.

Testimony Against (Labor, Commerce, Research & Development): None.

Concerns: This bill could be supported if it prohibited public funding of human embryonic stem cell research. It would be preferred that some of the strategic contribution payments would still be used for low-income health care and tobacco prevention programs rather than all of it going into the life sciences fund.

Who Testified (Labor, Commerce, Research & Development): PRO: Governor Gregoire; Senator Lisa Brown, prime sponsor; Ruth Shearer, retired scientist; Bill Grinstein, Battelle Labs; Susannah Malarkey, Technology Alliance; Linda Hull, WBBA; Patti McKinnel-Davis, WBBA; Charles Murry, M.D., UW; Laura Lutz, City of Seattle; Jim Petersen, WSU; Randy Hodgins, UW; Dan Fazio, Washington State Farm Bureau.

CONCERNS: Nick Federici, American Lung Association of Washington; Matt Muckler, Washington State Catholic Conference; Sharon Quick, M.D. American Academy of Medical Ethics.

Testimony For (Ways & Means): This bill will capitalize on our state's unique life sciences research institutions. This will maintain our state's competitive advantage in life sciences, boost the state's economy, and make a significant contribution to science. The bill is part of a comprehensive strategy to advance life sciences and provide professional career and employment opportunities. Our state's research institutions, such as the University of Washington, bring millions of dollars of research money into the state and fuels our research-based economy. The funds being allocated to this purpose are only eight percent of the state's revenue from the tobacco litigation.

Testimony Against (Ways & Means): None.

Other: The bill does not preclude morally objectionable research such as stem-cell research and human cloning. This money could be better used by funding basic health care services instead of being diverted to research projects. Also, the bill fails to address issues relating to profit-sharing from the research projects.

Who Testified (Ways & Means): PRO: Marty Brown, Office of the Governor; Bill Grinstein, Batelle Institute; Jack Faris, Washington Biotechnology & Biomedical Assoc.; Randy Hodgins, University of Washington. OTHER: Matt Muckler, Washington State Catholic Conference.

House Amendment(s): Amended the intent section to provide that promoting health of state residents is a fundamental purpose of state government and that the Life Sciences Discovery Fund (Fund) should be built on existing strengths and spread economic benefits across the state.

All language related to human cloning is removed. Definition of "life sciences research" is expanded to include research intended to improve human health, including scientific study of the developing brain and human learning and development.

The selection process for the legislative members of the Fund's board of trustees is modified to include two members of either the House Appropriations Committee or the House committee dealing with technology issues, one from each caucus; same criteria applies to Senate legislative members.

The Fund is created in the custody of the state Treasurer , but funds are awarded to grantees by the Fund's trustees. The amounts received by the state as strategic contribution payments (tobacco) must be transferred by the legislature to the Fund.

The Fund's executive director must report to the Legislature by December 2005 on the potential to direct revenues into higher education, and by December 2006 on the potential returns on investments.

Passed House: 53-40.