

SENATE BILL REPORT

SB 5581

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, February 17, 2005
Ways & Means, March 7, 2005

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

Brief Description: Establishing the life sciences discovery fund.

Sponsors: 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].

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 Second Substitute Bill: The Life Sciences Discovery Fund Authority (Authority) is created as a public instrumentality and agency of the state. A seven-member Board of Trustees (Board) is 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. Each year, the Authority submits to the Legislature a list of recommended research grants for legislative approval.

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.

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.

Second Substitute Bill Compared to Substitute Bill: The Life Sciences Discovery Fund is made an account in the state treasury, subject to legislative appropriation, and which retains its investment earnings. Each year, the Authority submits to the Legislature a list of recommended research grants for legislative approval. Language making the revenue transfer irrevocable is deleted. The employees of the Authority are exempt from state civil service rules. At least one member of the Board must be experienced in agricultural research. The definition of life sciences is broadened.

Substitute Bill Compared to Original Bill: Adds more detail to the definition of "life sciences research" to include: advanced and applied research and development intended to improve human health and patient health care outcomes in preventive and predictive

medicine; new approaches to diagnosis and treatment of disease; and medical and imaging devices and software that can be used in clinical settings. Research efforts can entail laboratory and clinical research, proof of concept development, and appropriate equipment and personnel to support these areas.

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.