
**Community & Economic Development &
Housing Committee**

HB 2613

Brief Description: Concerning innovative industries for economic development.

Sponsors: Representatives Kenney and Ryu.

Brief Summary of Bill

- Creates the Washington Innovative Industries Enabling Act.
- Authorizes the Washington Innovative Industry Grant Program.

Hearing Date: 1/23/12

Staff: Jennifer Thornton (786-7147).

Background:

Agricultural Commodity Commissions Model.

In 2010 the Legislature directed the Department of Commerce (Department) to examine agricultural commodity commissions as a model for industry support organizations. The Department was to collaborate with industry associations on legislation that would enable industries to develop self-financing systems for addressing industry-identified issues such as workforce training, international marketing, quality improvement, and technology deployment.

The Department found that the commission model had a number of advantages including:

- shared costs;
- access to the state taxing mechanism;
- fair assessments based on a pro-rata share of the market;
- improved technology and research available to all; and
- economies of scale.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Department found that the model was well suited to agriculture but might need to be modified to fit other industries. The Department reviewed other models from California and Kansas that raise money from a particular industry to benefit that industry and suggested that Washington could direct some of the growth in the state's business and occupation (B&O) tax from defined industries. The Department labeled this a "pay as you succeed" model of economic development finance.

Innovate Washington.

In 2011 the Legislature created Innovate Washington as the successor agency to the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute to serve as the primary state agency focused on growing Washington's innovation-based economy and respond to the technology transfer needs of existing businesses.

Summary of Bill:

The legislation creates the Washington Innovative Industries Enabling Act (Act). The Legislature declares that the promotion of industrial innovation is a fundamental purpose of state government and that the commercialization and manufacture of products within the state is in the public interest. The purpose of the Act is to: enable industry-sponsored organizations to provide technical assistance; assist firms in improving productivity and decreasing costs; and enhance the quality, reputation, and sales of the state's industrial products.

The Director of Innovate Washington (Director) is authorized to implement and administer the Washington Innovative Industry Grant Program. In collaboration with the Executive Director of the Washington Economic Development Commission, the Director is required to:

- establish industry sector certification processes and standards;
- certify industry sectors that meet the standards;
- notify the Department of Revenue (Revenue) when an industry sector is certified; and
- establish the Innovation Industry Grant process.

Once an industry sector has been certified, an industry development organization may apply for a grant to assist the industry sector with research and development, testing and quality control, workforce training, and other services. Grants are limited to \$5 million per year, for a period of up to five years, not to exceed the amount of private sector contributions to the industry development organization.

Upon notice of an industry sector's certification, Revenue must determine the projected tax receipts for that sector using a specified methodology. Revenue must also establish the innovation allocation for an industry sector, which is 50 percent of the amount, if any, of B&O taxes for all business entities in the industry sector that exceeded the projected tax receipts. Revenue is required to notify the State Treasurer of the allocation amount for transfer into the Innovation Industry Grant Account.

The Innovation Industry Grant Account is established in the custody of the State Treasurer. The account is controlled by the Director and the Director is to establish subaccounts for each certified industry sector.

Appropriation: None.

Fiscal Note: Requested on January 21, 2012.

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