

SENATE BILL REPORT

SB 5764

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 17, 2011
Ways & Means, February 25, 2011

Title: An act relating to innovate Washington.

Brief Description: Creating innovate Washington.

Sponsors: Senators Kastama, Chase, Shin, Kilmer, Brown, Conway and McAuliffe.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/16/11, 2/17/11 [DPS].
Ways & Means: 2/24/11, 2/25/11 [DPS(EDTI), w/oRec].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5764 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Baumgartner, Ranking Minority Member; Hatfield, Holmquist Newbry, Kilmer and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5764 as recommended by Committee on Economic Development, Trade & Innovation be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Baxter, Conway, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Pridemore, Rockefeller, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Pflug.

Staff: Richard Ramsey (786-7412)

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.

Background: The Legislature created the Washington Technology Center (WTC) in 1983 and the Spokane Intercollegiate Research and Technology Institute (SIRTI) in 1998. Both have a mission to conduct and commercialize research and to strengthen university-industry relationships through the conduct of research that is primarily of interest to Washington-based companies or state economic development programs. WTC's focus is state-wide while SIRTI's is Eastern Washington.

WTC operates a Small Business Innovation Research (SBIR) Assistance Program and SIRTI has taken part in the program by assisting small businesses in applying for federal SBIR grants. WTC has a statutory obligation to operate the Investing in Innovation Grants Program, but funding has never been appropriated for its operation.

Summary of Bill (Recommended Substitute): Innovate Washington is created as the successor agency to WTC and SIRTI. Its primary goal is to respond to the technology transfer needs of existing businesses in the state. It is to:

- provide and facilitate research supportive of state industries;
- provide mechanisms for collaboration between technology-based industries and higher education institutions;
- help businesses secure research funds, develop and integrate technology into new products, and stay competitive;
- offer technology transfer and commercialization training opportunities; and
- administer the Technology and Innovation Grant and Loan Program.

Innovate Washington is to develop a five-year business plan to be updated every even-numbered year. The first plan is due by December 1, 2012, and must include a plan for operating additional facilities at Washington State University (WSU) Vancouver, WSU Tri-Cities, and Western Washington University. The plan must also include methods of working with community and technical colleges, including Centers of Excellence, methods to ensure access to Innovate Washington's services by clients of Impact Washington, and mechanisms for outreach to firms Innovation Partnership Zones.

A board of directors is to govern Innovate Washington. The board is to convene a group to determine best method to develop and make available a database of in-state technologies and inventions. It is also to report to the Governor and the Legislature every year on customer satisfaction and a variety of outcome measures. The board is authorized to:

- employ staff and engage technical experts;
- create advisory committees;
- enter into agreements with other entities to carry out any of its programs;
- solicit funds from a variety of sources;
- establish affiliated organizations, special funds, and controls as it sees fit; and
- delegate any of its powers and duties if consistent with the purposes of the act.

Innovate Washington is to operate a small business innovation assistance program to help in the procurement of awards from federal small business research programs. The Investing in Innovation Grants Program is changed to the Investing in Innovation Program. The program is operated by Innovate Washington and may make both loans and grants using funds raised by the board of directors. Proprietary information of those applying or receiving funding

through the Investing in Innovation Program is not subject to public disclosure. The Investing in Innovation Account is established in the custody of the State Treasurer.

Centers of Excellence are to act as brokers of assistance available for firms in targeted industries and work with Innovate Washington to develop methods to identify businesses within a targeted industry that could benefit from the services of Innovate Washington.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): Provides that Innovate Washington's foremost goal is to respond to the technology transfer needs of existing businesses in the state. Reduces the gubernatorial appointees on the board from nine to seven. Makes the report to the Governor and Legislature annual rather than every other year. The report is to include measures that would be included in a balanced scorecard. Requires Innovate Washington to convene a group to determine best method to develop and make available a database of in-state technologies and inventions.

Appropriation: None.

Fiscal Note: Requested on February 11, 2011.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on August 1, 2011.

Staff Summary of Public Testimony on Original Bill (Economic Development, Trade & Innovation): PRO: This aligns the mission of two agencies designed to support the innovation economy and allows efforts to come to scale. This is a better design for delivering services to small businesses. This is meant to be a multiplier of state investment, the private sector will be asked to contribute their resources. By combining resources there can be a greater impact. Innovate Washington can be a sector catalyst. The clean energy sector can plug into this bill. Research Universities are now doing most of what WTC was originally charged with. A smaller board would be better. The bill helps with entrepreneurial skill development, dealing with the valley of death, and gives Innovate Washington a convening role.

Persons Testifying (Economic Development, Trade & Innovation): PRO: Senator Kastama, prime sponsor; Kim Zentz, SIRTI; Chris Coleman, WTC; Mark Cummings, Battelle; Gary Spanner, Pacific NW National Lab; Linden Rhoads, UW; Egils Milbergs, WA Economic Development Commission; Daniel Malarkey, Department of Commerce.

Staff Summary of Public Testimony on Recommended Substitute (Ways & Means): PRO: All parties involved have agreed to reduce fragmentation of the technology transfer. The fiscal impact should be next to zero. The University of Washington (UW) has requested Fluke Hall and the microfabrication lab to be transferred to the UW. WTC has operated the lab with revenues from the private sector. There should be no increase in costs for the lab operation under UW management, unless the private sector is excluded. The Clean Energy Partnership would be managed as a project within Innovate Washington; there would be no additional costs from this either. The WTC fully supports the merger. UW was part of the

unanimous vote of the WTC board to support the creation of Innovate WA and absorption of the WTC and SIRTl.

Persons Testifying (Ways & Means): PRO: Kim Zentz, SIRTl; Scott Hazlegrove, Chris Coleman, WA Technology Center.