

SENATE BILL REPORT

ESB 5764

As Passed Senate, March 2, 2011

Title: An act relating to innovate Washington.

Brief Description: Creating innovate Washington, which includes the Washington clean energy partnership as a programmatic activity.

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].
Passed Senate: 3/02/11, 46-2.

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.

The Energy Freedom Program encourages the use of bioenergy and accelerates energy efficiency improvements, renewable energy improvements, and deployment of innovative energy technologies. The program provides financial and technical assistance to cities, counties, ports, and other political subdivisions of the state. The Legislature originally appropriated \$23 million for low-interest loans and grants through the Energy Freedom Account. The Green Energy Incentive Account and the Energy Recovery Account are also established within the program.

The Clean Energy Leadership Council (CELC) was created in 2009 to develop strategies and recommendations for growing the state's clean energy sector. CELC was directed to identify the clean energy industry segments and where the state has competitive advantages or emerging strength in research, development, or deployment of clean energy solutions.

Summary of Engrossed Bill: Innovate Washington is created as the successor agency to WTC and SIRTI and is the primary state agency responding to the technology transfer needs of existing businesses in the state. Innovate Washington:

- provides and facilitates research supportive of state industries;
- provides mechanisms for collaboration between technology-based industries and higher education institutions;
- helps businesses secure research funds and develops and integrates technology into new products;
- offers technology transfer and commercialization training opportunities; and
- administers technology and innovation grant and loan programs.

Innovate Washington must 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 (board) governs Innovate Washington. The board must convene a group to determine the best method to develop and make available a database of in-state technologies and inventions. It must also 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 must operate a small business innovation assistance program to help in the procurement of awards from federal small business research programs.

The Washington Clean Energy Partnership (CEP) is created as a programmatic activity of Innovate Washington. It must develop and manage initiatives to expand the clean energy sector in Washington. The duties of CEP include, as funds are available:

- implementing CELC recommendations, including the following market-driving initiatives: combined energy efficiency, green buildings, and smart grid; renewable energy resource optimization and smart grid deployment; and bioenergy deployment acceleration;
- assessing potential opportunities and adding market-driving initiatives as justified by comprehensive analysis;
- serving as the lead entity and primary point of contact for developing and coordinating clean energy-related initiatives and funding programs for expanding the clean energy sector;
- securing a minimum of 50 percent nonstate funds for CEP projects; and
- working with public and private utilities and the Utilities and Transportation Commission to development recommendations to align state policies and investments.

The CEP Fund is created to receive state and federal funds, grants and contributions for CEP. Only the Director of Innovate Washington may authorize expenditures from the account. The policies and procedures developed by the Director of the Department of Commerce for funding under the Energy Freedom Account, the Green Energy Incentive Account, and the Energy Recovery Act Account must be approved by CEP.

Centers of Excellence are to broker 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.

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.

Appropriation: None.

Fiscal Note: Available.

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 SIRTI.

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