
HOUSE BILL 2613

State of Washington

62nd Legislature

2012 Regular Session

By Representatives Kenney and Ryu

Read first time 01/18/12. Referred to Committee on Community & Economic Development & Housing.

1 AN ACT Relating to innovative industries for economic development;
2 and adding a new chapter to Title 43 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** This chapter may be known and cited as the
5 Washington innovation industries enabling act. This chapter is enacted
6 in the exercise of the police powers of this state for the purpose of
7 protecting the economic well-being and general welfare of the people of
8 this state.

9 NEW SECTION. **Sec. 2.** (1) The legislature finds that innovation in
10 the production of goods and services is woven throughout the history,
11 economy, and culture of Washington state and that the future economic
12 success of the state will be dependent on our being in the forefront of
13 innovation. The legislature declares that the promotion of innovation
14 within private sector companies is a fundamental purpose of state
15 government and that the commercialization and manufacture of products
16 within this state is in the public interest.

17 (2) By this chapter, the legislature intends to further the

1 continued commercialization and manufacture of innovative products in
2 Washington, and the promotion of Washington's products and services.
3 It is the purpose of this chapter to:

4 (a) Enable industry-sponsored organizations to provide technical
5 and other assistance to help industrial producers meet their research,
6 commercialization, financial, workforce training, marketing, exporting,
7 and other industry identified needs;

8 (b) Assist industrial producers to improve productivity and reduce
9 costs within a globally competitive environment and remove impairments
10 to their ability to compete in local, domestic, and foreign markets;
11 and

12 (c) Promote industry sectors individually and as part of a
13 comprehensive strategy to enhance the quality, reputation, and sales of
14 Washington's industrial products.

15 NEW SECTION. **Sec. 3.** The definitions in this section apply
16 throughout this chapter unless the context clearly requires otherwise.

17 (1) "Certified industry sector" means an industry sector which has
18 been certified by the director as eligible for assistance through
19 innovation industry grants.

20 (2) "Director" means the executive director of innovate Washington
21 or his or her duly appointed representative. The phrase "director or
22 his or her designee" means the director unless he or she has designated
23 an administrator, board, or other designee to act in the matter
24 designated, in which case "director or his or her designee" means the
25 administrator, board, or other person or persons so designated and not
26 the director.

27 (3) "Industry development organization" means a nonprofit,
28 membership-based organization formed by firms within an industry sector
29 for the purpose of providing technical assistance and support to firms
30 within the industry sector. Industry development organization
31 membership may be either statewide in scope or a workforce development
32 area or areas as determined under the federal workforce investment act,
33 P.L. 105-220.

34 (4) "Industry sector" means a group of firms that share a NAICS
35 classification code or related NAICS classification codes as assigned
36 by the department of revenue.

1 (5)(a) "Innovation allocation" means for the calendar year in which
2 certification of an industry sector occurs and any subsequent calendar
3 year during which an industry sector is certified for the duration of
4 the year, fifty percent of the amount, if any, of business and
5 occupation taxes reported for that calendar year by all business
6 entities within that certified industry sector that exceed the
7 projected tax receipts for that certified industry sector.

8 (b) An innovation allocation may not exceed five million dollars.

9 (6) "Innovation industry grants" means the grants awarded to
10 industry development organizations under section 6 of this act.

11 (7) "NAICS" means the North American industry classification
12 system.

13 (8) "Projected tax receipts" means the expected business and
14 occupation tax receipts for a calendar year from all businesses in a
15 certified industry sector based on a five-year trend line of state
16 business and occupation taxes reported by all businesses in that
17 certified industry sector, as established by the department of revenue.

18 NEW SECTION. **Sec. 4.** (1) The director is hereby authorized to
19 implement, administer, and enforce this chapter. The director may
20 adopt such rules as are necessary to carry out the provisions of this
21 chapter, including rules that provide for a method to fund, out of the
22 innovation industry grant account created in section 7 of this act, the
23 actual costs, including personnel costs, for carrying out the
24 director's obligations under this chapter if the costs are not directly
25 funded by the legislature.

26 (2) The director must, in collaboration with the executive director
27 of the Washington economic development commission:

28 (a) Establish the process by which firms or industry development
29 organizations may petition for certification of an industry sector.
30 The process must reference the minimum number of firms, or the minimum
31 percent of the firms within an industry sector, that must join in the
32 petition;

33 (b) Establish industry sector certification standards. The
34 certification standards must reference:

35 (i) The minimum number of firms, which must be at least three, that
36 may be in a certified industry sector;

- 1 (ii) The minimum rate of employment growth within the certified
- 2 industry sector;
- 3 (iii) The minimum rate of revenue growth within the certified
- 4 industry sector; and
- 5 (iv) Any other quantitative and qualitative factors as the director
- 6 determines are appropriate;
- 7 (c) Certify, via certification orders, industry sectors that meet
- 8 the certification standards established by the director. The director
- 9 may amend or terminate certification orders, consistent with the
- 10 standards and rules adopted by the director;
- 11 (d) Make the final determination on the NAICS codes that define a
- 12 certified industry sector;
- 13 (e) Notify the director of the department of revenue when an
- 14 industry sector has been certified;
- 15 (f) Establish the application process, selection criteria, and
- 16 contractual requirements relating to innovation industry grants; and
- 17 (g) Provide bona fide applicants for innovation industry grants
- 18 with contact information for firms within the relevant certified
- 19 industry sector.

20 NEW SECTION. **Sec. 5.** (1) Upon receipt of a certification order

21 from the director, the department of revenue must establish the

22 projected tax receipts for a certified industry sector. The department

23 of revenue must establish the projected tax receipts by the later of

24 sixty days following the receipt of the certification order or

25 September 1st of the year in which the certification order was

26 received. In determining the projected tax receipts the department of

27 revenue must use existing data that is compiled in the department of

28 revenue's normal course of business and used for other purposes. No

29 corrections to the projected tax receipts for a certified industry

30 sector may be made after the department of revenue determines the

31 initial innovation allocation for that certified industry sector.

32 (2) The department of revenue must determine the annual innovation

33 allocation attributable to each certified industry sector when the data

34 is available. Such determination must be made by September 1st of each

35 year. In determining the annual innovation allocation the department

36 of revenue must use existing data that is compiled in the department of

37 revenue's normal course of business and used for other purposes. No

1 changes to the innovation allocation for a certified industry sector
2 may be made after the department of revenue notifies the state
3 treasurer of that innovation allocation as required in subsection (3)
4 of this section.

5 (3) The department of revenue must notify the state treasurer of
6 the innovation allocations determined under subsection (2) of this
7 section. When innovation allocations are greater than zero, the state
8 treasurer must transfer such amounts from the general fund to the
9 innovation industry grant account created in section 7 of this act.

10 (4) The department of revenue must annually provide to the director
11 such contact information for firms within a certified industry sector
12 as is subject to disclosure under RCW 82.32.330(3)(k). The information
13 required under this subsection must be provided by a date mutually
14 agreed to by the department of revenue and the director.

15 NEW SECTION. **Sec. 6.** (1) The innovation industry grant program is
16 established in innovate Washington. The director may award grants via
17 contract with industry development organizations to assist certified
18 industry sectors consistent with the purpose of this chapter. The
19 grant period may be up to five years. The grant amount awarded to an
20 industry development organization must not exceed five million dollars
21 per year and may not exceed the amount of private sector contributions
22 to the industry development organization. Applicants must indicate by
23 NAICS code the makeup of the sector and its geographic boundaries. The
24 director must set qualification standards for industry development
25 organizations applying for grants under the program including, but not
26 limited to, the number of member firms and the percentage of sector
27 firms in the geographic area that are members of the industry
28 development organization.

29 (2) Grantees may use innovation industry grant funds for any of the
30 following:

31 (a) Research and development of better and more efficient
32 production, processing, transportation, handling, and marketing of
33 value-added products;

34 (b) Assistance with quality control and testing of products and
35 processes;

36 (c) Workforce training and recruitment;

37 (d) Incubation and acceleration services;

1 (e) Export assistance, including the prevention, modification, or
2 elimination of trade barriers;

3 (f) Providing marketing information and services including the
4 development of cooperative efforts;

5 (g) Providing information and services for meeting energy
6 efficiency and conservation objectives; and

7 (h) Any other services as are approved by the director.

8 (3) Grantees may not use innovation industry grant funds for:

9 (a) Lobbying;

10 (b) Providing cash grants or loans to businesses; or

11 (c) Any other purpose prohibited by the director through rule or
12 contract.

13 (4) The contracts with industry development organizations must
14 specify the expected deliverables and performance and must be for a
15 period not to exceed two years.

16 (5) Priority will be given to those applicants who demonstrate:

17 (a) The capacity to serve all firms in an industry sector;

18 (b) Collaboration with, and the ability to facilitate the goals of,
19 innovation partnership zones established under RCW 43.330.270; and

20 (c) Collaboration with centers of excellence established under RCW
21 28B.50.902.

22 (6) Grantees may contract with other technical assistance providers
23 for the delivery of services necessary to meet grant obligations.

24 NEW SECTION. **Sec. 7.** (1) The innovation industry grant account is
25 created in the custody of the state treasury. All receipts from
26 innovation allocations collected by the department of revenue under
27 section 5 of this act must be deposited in the account. Expenditures
28 from the account may be used only for the innovation industry grant
29 program and the costs associated with carrying out the director's
30 obligations under this chapter. Only the director or the director's
31 designee may authorize expenditures from the account. The account is
32 subject to allotment procedures under chapter 43.88 RCW, but an
33 appropriation is not required for expenditures.

34 (2) The director must keep subaccounts for each certified industry
35 sector and must:

36 (a) Deposit the innovation allocation attributable to each

1 certified industry sector into its subaccount after deducting for
2 administrative costs incurred by innovate Washington; and

3 (b) Make innovation industry grants to industry development
4 organizations from the appropriate certified industry sector
5 subaccount.

6 NEW SECTION. **Sec. 8.** Sections 1 through 7 of this act constitute
7 a new chapter in Title 43 RCW.

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