

SENATE BILL REPORT

SB 6518

As Reported by Senate Committee On:
Trade & Economic Development, February 6, 2014
Ways & Means, February 26, 2014

Title: An act relating to transferring technology-based economic development programs from innovate Washington to the department of commerce.

Brief Description: Transferring technology-based economic development programs from innovate Washington to the department of commerce.

Sponsors: Senator Chase; by request of Washington State Department of Commerce.

Brief History:

Committee Activity: Trade & Economic Development: 2/06/14 [DPS-WM].
Ways & Means: 2/25/14, 2/26/14 [DP2S].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6518 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newbry and Pedersen.

Staff: Edward Redmond (786-7471)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6518 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Conway, Dammeier, Frockt, Hasegawa, Hatfield, Hewitt, Kohl-Welles, Padden, Parlette, Rivers, Schoesler and Tom.

Staff: Julie Murray (786-7711)

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: 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 to respond to the technology transfer needs of existing businesses. Innovate Washington was created to:

- facilitate research and technology transfer opportunities supportive of state industries;
- provide mechanisms for collaboration between technology-based industries and higher education institutions;
- help businesses secure research funds and develop and integrate technology into new products;
- offer technology transfer and commercialization training opportunities for students;
- serve as the lead entity for coordinating clean energy initiatives; and
- administer technology and innovation grant and loan programs.

Innovate Washington's governance structure includes a 15-member board consisting of seven private-sector executives appointed by the Governor, four legislators, the Governor or Governor's designee, the president or designees from the University of Washington and Washington State University (WSU), and the Director of the Department of Commerce (Commerce).

The Investing in Innovation Account was also created by the Legislature as a non-appropriated account in the custody of the State Treasurer. Only the Executive Director of Innovate Washington or the Executive Director's designee has the authority to make expenditures from the account.

Innovate Washington has a performance agreement with the Innovate Washington Foundation (Foundation) under which the Foundation delivers the services for which Innovate Washington is responsible. The Foundation is governed by a separate board of directors than the board governing Innovate Washington.

In 2013 the Legislature eliminated all funding to Innovate Washington in the state operating budget. Innovate Washington, however, still exists as a state agency under statutory law.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Second Substitute): Innovate Washington is abolished on July 1, 2015, and its mission, powers, duties, and personal property will be transferred to Commerce. Commerce must honor any donor imposed conditions on personal property. On July 1, 2014, all real property of Innovate Washington is transferred to WSU and the master lease for the Spokane Technology Center Building in Spokane, Washington is assigned to WSU. The Office of Financial Management may allocate funds and assets, if necessary, to effectuate the transfer of Innovate Washington's responsibilities.

Statutory references pertaining to the agency are removed from statute. Chapter 70.210 RCW, the Investing in Innovation Grant Program, is repealed.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): Adds the repeal of Chapter 70.210 RCW, the Investing in Innovation

Grant Program, and removes references of Innovate Washington in Centers of Excellence, Joint Center for Aerospace Technology Innovation, and Aviation Biofuels Work Group. Modifies the transfer of Innovate Washington assets to require honoring any conditions on donated property. Allows the Office of Financial Management to allocate funds and assets, if necessary, to effectuate the transfer of Innovate Washington's responsibilities.

Eliminates Innovate Washington as a state agency and transfers its powers and duties to Commerce on July 1, 2015. Transfers all real property of Innovate Washington and its master lease at the Spokane Technology Center to WSU on July 1, 2014. With the exception of the section that transfers Innovate Washington's powers, duties, and real and personal property, the act takes effect July 1, 2015.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended First Substitute): Terminates Innovate Washington as a state agency and transfers property from Innovate Washington to WSU and Commerce.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2015, except for sections 1 and 7 which take effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee (Trade & Economic Development): PRO: This is a Governor request bill and we are attempting to move it forward in the most expeditious manner possible. Speaking to the underlying bill, as the Innovate Washington agency goes away, the Innovate Washington Foundation continues to engage in a number of activities including federal grants that they are managing in the Governor's budget. The Governor did include some additional funding to continue those activities. The underlying bill set up a contractual agreement between Commerce and the Innovate Washington Foundation to continue some of those activities.

Testifying in support of transferring the two buildings to WSU. WSU is already the largest tenant in both buildings and provides maintenance support for one of them. The Innovate Washington Spokane building is located on the WSU campus where the university operates a pharmacy, a medical research facility, a small business development center, and an area health education center. The Technology Center building is adjacent to the Spokane campus and is home to WSU's applied science laboratory where we work with businesses and governments using our research to solve real-world problems, particularly in the areas of energy, advance materials, biomedical applications, and national security. The transfer of these two buildings will help to accommodate the recent plans to open a community health clinic on campus. Medical, pharmacy, and nursing students and students from the University of Washington will work in an inner-professional environment to develop their skills while providing healthcare services for the community.

Innovate Washington Foundation has a number of projects occurring such as SMART buildings and the Make it in America grant. Both projects, worth approximately \$12 million, were awarded by the federal government to the Innovate Washington Foundation. If the state does not provide a match, those grants will go back to the USEEA and will be awarded somewhere else outside of Washington State.

Persons Testifying (Trade & Economic Development): PRO: Senator Chase, prime sponsor; Nick Demerice, Commerce; Chris Mulick, WSU; Jim Hendrick, Innovate WA Foundation.

Staff Summary of Public Testimony on Substitute as Passed by Trade & Economic Development (Ways & Means): PRO: WSU is the largest tenant in the Spokane Technology Center. The transfer of the two buildings will increase our footprint in the building and facilitate plans for a community health clinic. It will allow students to work in learn in a professional atmosphere while providing health care services for the community.

Persons Testifying (Ways & Means): PRO: Chris Mulick, WSU.