

# SENATE BILL REPORT

## SB 5490

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As Passed Senate, March 4, 2019

**Title:** An act relating to transferring duties of the life sciences discovery fund.

**Brief Description:** Transferring duties of the life sciences discovery fund.

**Sponsors:** Senators Frockt, Brown, Hobbs and Mullet.

**Brief History:**

**Committee Activity:** Financial Institutions, Economic Development & Trade: 1/31/19, 2/07/19 [DP, DNP].

**Floor Activity:**

Passed Senate: 3/04/19, 46-1.

**Brief Summary of Bill**

- Transfers certain duties and powers of the Life Science Discovery Fund Authority (LSDF) to the Department of Commerce (Commerce).
- Directs Commerce to designate a statewide nonprofit organization with a life science focus to receive funds previously allocated to the LSDF, to grow the life science sector and improve the health of state residents.

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**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE**

**Majority Report:** Do pass.

Signed by Senators Mullet, Chair; Wilson, L., Ranking Member; Braun, Das and Hobbs.

**Minority Report:** Do not pass.

Signed by Senators Hasegawa, Vice Chair; Ericksen.

**Staff:** Kellee Gunn (786-7429)

**Background:** In 2005, the Legislature created the LSDF. LSDF was managed by a board of trustees (Authority) consisting of four legislators and seven members appointed by the Governor. LSDF was established to make grants to entities for promoting life sciences in the state, with certain requirements regarding benefit to the state and quality of research. Under

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the Authority's granting conditions, some grantees are required to make payments back to LSDF for certain occurrences, including the commercialization or licensing of products or programs developed as a result of a grant.

LSDF was a recipient of the Tobacco Master Settlement Agreement (MSA), the agreement between the states and United States tobacco manufacturers to help reimburse the states for Medicaid costs caused by tobacco. The LSDF received strategic contribution amounts from the MSA from 2008 until 2017.

The Legislature directed LSDF in 2015 to be a self-sustaining entity by the end of fiscal year 2017, and correspondingly transferred available funds in the LSDF to the state general fund in the 2015 operating budget.

**Summary of Bill:** Commerce is directed to contract with a statewide nonprofit to provide services and award grants related to fostering growth of the state's life science sector and improving the health and economic well-being of Washington State residents. The statewide nonprofit will also monitor and collect LSDF grant payback funds. In considering new grant award funding, the selected nonprofit organization must consider the health benefit to the state's residents, and quality of research, amongst other measures.

The chosen nonprofit will develop policies and procedures to facilitate the orderly process of grant application, review, and reward. The nonprofit may create one or more advisory boards composed of scientists, industrialists, and others familiar with life sciences research to assist in grant evaluation.

Commerce shall take on the general powers granted to LSDF, including being sued in its name. The state, LSDF, and Commerce are not liable for any loss, damage, harm, or other consequence resulting directly or indirectly from grants made by LSDF or the research funded by LSDF grants. LSDF, and its grants, are under the authority of Commerce and appropriation is not required for expenditure.

Certain statutes referencing the LSDF are repealed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This is a technical bill. This passed the House last year and was in the Senate without opposition. When LSDF closed, some of the authority passed to Commerce, but not all of it. This allows Commerce to collect funds that may be paid back from the commercialization of products that came from original grant awards. The fund amounts are not large. The last few years have seen this industry growing in the state. Although there has been no payback yet, this allows it in the future.

**Persons Testifying:** PRO: Marc Cummings, Life Science Washington.

**Persons Signed In To Testify But Not Testifying:** No one.