

HOUSE BILL REPORT

HB 1866

As Reported by House Committee On:
Technology & Economic Development
Appropriations

Title: An act relating to the joint center for aerospace technology innovation.

Brief Description: Concerning the joint center for aerospace technology innovation.

Sponsors: Representatives Morris, Smith, Liias, Maxwell, Morrell, Habib, Ryu, Sells, Hansen and Hudgins; by request of Governor Inslee.

Brief History:

Committee Activity:

Technology & Economic Development: 2/19/13, 2/20/13 [DP];
Appropriations: 2/28/13 [DPS].

Brief Summary of Substitute Bill

- Authorizes expenditures from the Economic Development and Strategic Reserve Account for the Joint Center for Aerospace Technology Innovation.
- Extends the provisions establishing a sunset review of the center until July 1, 2020.
- Extends the provisions repealing the center until July 1, 2021.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 16 members: Representatives Morris, Chair; Habib, Vice Chair; Smith, Ranking Minority Member; Crouse, Assistant Ranking Minority Member; Dahlquist, Hudgins, Kochmar, Magendanz, Maxwell, Morrell, Stonier, Tarleton, Vick, Walsh, Wylie and Zeiger.

Staff: Jasmine Vasavada (786-7301).

Background:

The Economic Development Strategic Reserve Account.

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.

The Legislature created the Economic Development Strategic Reserve Account (Account) in 2005, from which only the Governor, with the recommendation of the Director of Commerce and the Washington Economic Development Commission, may authorize expenditures. The Account may contain a maximum of \$15 million at any time, with any excess being transferred to the Education Construction Account. During the fiscal biennia ending 2011 and 2013, transfer of moneys from the account into the State General Fund is also authorized.

Funds must be used to support the Economic Development Commission staff and operational costs. Other authorized uses include preventing closure of a business or facility, recruitment of a business or facility, and funding workforce development, public infrastructure, and other assistance provided contractually with an assurance of job creation or retention.

Funds may not be expended unless the timely procurement of funding from other state sources is not possible, and funding is accompanied by private investment and will not supplant private investment. Any businesses assisted must produce significant economic benefits, including jobs or higher income, and may not require a continuing state subsidy.

The Joint Center for Aerospace Technology Innovation.

The Joint Center for Aerospace Technology Innovation (Center) was created in 2012 to pursue joint industry-university research that can be used in aerospace firms, enhance the education of engineering students, and work with the aerospace industry to identify research needs and opportunities to transfer off-the-shelf technologies. The Center operates under the joint authority of the University of Washington and Washington State University. The Center's Board of Directors (Board) is appointed by the Governor and represents a cross-section of the aerospace industry and higher education. The Board must:

- identify research areas to benefit the aerospace industry in Washington;
- identify entrepreneurial researchers and a plan for recruiting such researchers;
- assist firms in integrating existing technologies into their operations;
- align the Center's activities with those of Impact Washington and Innovate Washington;
- ensure that students enrolled in an aerospace engineering curriculum have direct experience with aerospace firms;
- assist researchers and firms in guarding intellectual property;
- promote collaboration between industry and faculty; and
- develop nonstate support for research.

By June 30, 2013, the Board must develop an operating plan that includes specifics on how the Center will accomplish its duties. The Board must provide a biennial report to the Legislature and the Governor. The Center may solicit funds from a variety of sources to carry out its obligations. The Joint Legislative Audit and Review Committee must conduct a formal sunset review that includes an evaluation of program effectiveness and is due July 1, 2015. The Center's authorizing statute is repealed, effective July 1, 2016.

Summary of Bill:

The Governor may authorize expenditure of funds from the Economic Development Strategic Reserve Account for the Center. Provisions repealing the Center and establishing a sunset review are repealed.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a technical fix in support of a good program that was created in response to a report by Project Pegasus (a tactical effort by the state under Governor Gregoire to keep Boeing from building new jet models outside of Washington). There is a big market for aerospace technology. The proposed legislation removes provisions repealing the Center and explicitly authorizes use of the Governor's reserve fund. The Center has recently attracted a good number of quality proposals, collaboration with industry has been strong, and future success will be determined by those continued collaborations. Providing Washington students the opportunity to participate in the Center's programs allows them to have experiences that enable them to join the aerospace industry. The Center does an excellent job of tracking its impact on the aerospace sector and the long-term career growth of students. This program helps support more than 1,200 related businesses and many related jobs in Washington.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; Alex Pietsch, Governor's Office of Aerospace; Chris Mulick, Washington State University; Chelsea Orvella, Society of Professional Engineering Employees in Aerospace; and Trent House, Aerospace Futures Alliance.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Hunter, Chair; Ormsby, Vice Chair; Alexander, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Wilcox, Assistant Ranking Minority Member; Carlyle, Cody, Dahlquist, Dunshee, Fagan, Green, Haigh, Haler, Harris, Hudgins, Hunt, Jinkins, Kagi, Maxwell, Morrell, Parker, Pedersen, Pettigrew, Ross, Schmick, Seaquist, Springer and Sullivan.

Minority Report: Do not pass. Signed by 3 members: Representatives Buys, Pike and Taylor.

Staff: Catrina Lucero (786-7192).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Technology & Economic Development:

The substitute bill delays the sunset review until July 1, 2020, and delays the Joint Center for Aerospace Technology Innovation's (Center) termination date until July 1, 2021.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This solidifies the statutory authority we thought already existed. The Center already receives funds from the Economic Development and Strategic Reserve Account. This bill continues this practice. The Center was created as a result of the project Pegasus report. It promotes greater collaboration between industry and research. There is a strong demand for this type of industry support. The Center has received 58 research proposals of which 16 were awarded approximately \$1.25 million.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; and Alex Pietsch, Governor's Office of Aerospace.

Persons Signed In To Testify But Not Testifying: None.