

SENATE BILL REPORT

SB 6497

As Reported By Senate Committee On:
Economic Development, February 4, 2004

Title: An act relating to providing a source of funding for customized work force training.

Brief Description: Providing a source of funding for customized work force training.

Sponsors: Senators Shin, T. Sheldon, Rasmussen, Winsley, Kohl-Welles, Roach, McAuliffe, Fraser and B. Sheldon.

Brief History:

Committee Activity: Economic Development: 1/30/04, 2/4/04 [DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6497 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Hale, Kohl-Welles, Murray, Schmidt and Shin.

Staff: Jack Brummel (786-7428)

Background: In 2001, the Washington Competitiveness Council recommended the acceleration of worker training in high-demand fields for new workers, incumbent workers, and displaced workers. The council advocated an increase in capacity to provide customized training for business recruitment or expansion.

The Job Skills Program matches employer investments in on-the-job training but it is among the smallest customized training programs in the nation. The Legislature increased its funding for the biennium to just under \$3 million. Customized training has been funded elsewhere using a bonding mechanism which pays off the bonds over time using a portion of the participating companies' tax payments. The state of Iowa has four customized training programs with yearly funding amounts of over \$40 million; their customized training that uses a bonding mechanism has averaged over \$10 million per year in training expenditures and over 3,000 jobs created per year since its inception in 1983.

Summary of Substitute Bill: The Washington Customized Employment Workforce Training program is created for employers locating or expanding in the state. The State Board for Community and Technical Colleges (SBCTC) is to administer the program. The employment training finance account is established to receive and disburse funds for the payment of bonds issued to cover the costs of training. Business and occupation (B&O) or utility tax payments of participating employers are deposited in the fund until the employers' monetary obligations to the program are met.

Training grants are awarded to employers who have entered into training agreements with a local community or technical college. Employers must agree to reimburse one-half the training costs, pay B&O or utility taxes, or make other payments to ensure sufficient funds in the employment training finance account. Employers are to increase their employment in the state by an amount equal to at least 75 percent of the trainees in their training program.

The Washington Economic Development Finance Authority (WEDFA) must issue bonds to finance training program costs. The bonds are payable solely out of the employment training finance account. The bonds are not obligations of the state. The authority is to enter into agreements with participating employers to ensure payment of program costs and bond obligations.

The director of SBCTC is added as a member of WEDFA and the director of the Department of Agriculture is removed.

Substitute Bill Compared to Original Bill: The substitute bill makes technical changes.

Appropriation: None.

Fiscal Note: Requested on January 23, 2004.

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

Testimony For: A good workforce training program can attract new businesses to the state. The bill speaks directly to the economic competitiveness goal of the state's workforce development strategic plan. Linking the ability of the colleges to provide training to the needs of new or expanding businesses provides a powerful locational tool. This would be an incredible assistance to small and medium manufacturers. This is a creative approach to meeting workforce training needs and creating jobs in the private sector.

Testimony Against: None.

Testified: PRO: Senator Shin; Wes Pruitt, Workforce Training and Education Coordinating Board; Jack O'Harah, Edmonds Community College and the State Board for Community and Technical Colleges. Ron Newbry, WA Economic Development Assoc.; John Vicklund, WA Manufacturing Service; Jonathan Hayes, WA Economic Development Finance Authority.