

SENATE BILL REPORT

SB 6326

As Reported By Senate Committee On:
International Trade & Economic Development, January 24, 2006
Ways & Means, February 16, 2006

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, Rasmussen, Pflug, Doumit, Rockefeller, Weinstein, Pridemore, Hewitt, Jacobsen, Thibaudeau, Swecker, Sheldon, Oke, Keiser, Kohl-Welles, Franklin, Kline and Berkey.

Brief History:

Committee Activity: International Trade & Economic Development: 1/19/06, 1/24/06 [DPS].

Ways & Means: 2/7/06, 2/16/06 [DP2S].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6326 be substituted therefor, and the substitute bill do pass.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, Roach and Zarelli.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6326 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Staff: Dean Carlson (786-7305)

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

The Job Skills Program is a customized training program that matches employer investments in on-the-job training but it is among the smallest customized training programs in the nation.

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 Second 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. Training grants are awarded to employers who have entered into training agreements with local training institutions.

Five million dollars is provided to the newly created Employment Training Finance Account for the SBCTC to provide training allowances. At the completion of training, employers are required to pay one quarter of the cost of the training. The additional three quarters of the cost are to be paid back over 18 months. A business and occupation tax credit is provided to employers for half of the amount that they pay for the employee training.

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.

Second Substitute Bill Compared to Substitute Bill: The second substitute bill removes the bonding provisions by WEDFA. It requires employers to pay back all the cost of training. A B&O tax credit is provided for half of the employers payments for the training.

Substitute Bill Compared to Original Bill: The substitute contains technical corrections and clarifications on participant payments and notifications when payments stop.

Appropriation: Five million dollars to the Employment Training Finance Account.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For (International Trade & Economic Development): This bill is needed to attract businesses to the state. Workforce training is the top priority for economic development because we cannot be competitive otherwise. This has many benefits to employers, workers, and communities. The community colleges are ready to go on this. WEDFA has strong underwriting standards and is financially sound.

Testimony Against (International Trade & Economic Development): None.

Testimony Other (International Trade & Economic Development): The employer must ensure that the workforce will be expanded by 75 percent of those trained, but simply increasing productivity is also a worthy goal, as is retaining jobs.

Who Testified (International Trade & Economic Development): PRO: Jack Ohara, Edmonds Community College; Jonathan Hayes, WEDFA; Ron Newbry, WA Economic Development Assn.; John Vicklund, WA Manufacturing Services; Gena Wikstrom, WA Fed.

of Private Career Colleges; Carolyn Cummin, State Board for Community and Technical Colleges; Rick Slunaker, AGC.

OTHER: Rick Slunaker, AGC.

Testimony For (Ways & Means): This will be an effective tool for new companies moving into the state as they need qualified employees. Academic institutions are very much in favor, as well as AWB. This is a win-win situation to bring qualified employees and businesses to the state. This is a critical tool to link education and economic development. Right now, all we have is the job skills program for customized training, and it is not enough, as there is a large unmet training gap. This will increase company productivity and reduce turnover. Many states use multiple customized training programs. Our number one priority this year is workforce development. We need to make sure we have a skilled workforce. Other states do much more than we do. This will provide the economic development community attract new business.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Senator Paul Shin; Carolyn Cummins, SBCTC; Ron Newbry, Washington Economic Development Association.