

SENATE BILL REPORT

SB 6368

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, January 26, 2012

Title: An act relating to the Washington manufacturing innovation and modernization extension service program.

Brief Description: Concerning the Washington manufacturing innovation and modernization extension service program.

Sponsors: Senators Chase, Kastama, Shin and Conway.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/23/12, 1/26/12 [DP-WM, DNP, w/oRec].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Chase, Vice Chair; Ericksen, Hatfield, Holmquist Newbry and Shin.

Minority Report: Do not pass.

Signed by Senator Zarelli.

Minority Report: That it be referred without recommendation.

Signed by Senators Baumgartner, Ranking Minority Member; Kilmer.

Staff: Jack Brummel (786-7428)

Background: The Washington Manufacturing Innovation and Modernization Extension Service program (program) was created in 2008. The Department of Commerce (Commerce) administers the program. Under the program, small manufacturers, industry associations, or cluster associations may receive vouchers of up to \$200,000 per year to cover the costs of manufacturing extension services. Such services are to be provided by a qualified manufacturing extension partnership affiliate such as Impact Washington. The costs of the manufacturing extension services must be repaid.

The Manufacturing Innovation and Modernization account (account) was created to house the funds from payments made by participants in the program and monies solicited by the

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Director of Commerce. Funds are disbursed to qualified manufacturing extension partnership affiliates to cover the costs of extension services. Funds received by an affiliate qualify as the state match required by the National Institute of Standards and Technology Manufacturing Extension Partnership.

The program terminates in 2012.

In its 2011 sunset review of the program, the Joint Legislative Audit and Review Committee recommended that the Legislature allow the program to expire.

The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state with no deductions for the costs of doing business. Credits against the B&O tax may be awarded for a variety of activities including aerospace preproduction development and customized training.

Summary of Bill: The termination and sunset review provisions for the program are extended for five years. A B&O tax credit is allowed for participants in the program, equal to 50 percent of the payments a participant makes into the account. The total credit available during any year to all participants is limited to \$1.225 million.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Manufacturers didn't use the program because there wasn't a tax incentive. At the beginning of implementation of the program, Commerce wouldn't pay funds concurrently with delivery of services and Impact Washington couldn't carry costs. This was worked out as the economy tanked so they couldn't meet job growth requirements of the program. This program still makes sense because more technical knowledge is required in the jobs being created.

Persons Testifying: PRO: Senator Chase, prime sponsor; Ron Newbry, Impact WA.