

HOUSE BILL REPORT

HB 1033

As Reported by House Committee On:

College & Workforce Development
Finance

Title: An act relating to the Washington customized employment training program.

Brief Description: Concerning the Washington customized employment training program.

Sponsors: Representatives Leavitt, Boehnke, Bronoske, Santos, Paul and Orwall.

Brief History:

Committee Activity:

College & Workforce Development: 1/18/21, 1/21/21 [DPS];

Finance: 2/17/21, 2/19/21 [DP2S(w/o sub CWD)].

Brief Summary of Second Substitute Bill

- Extends the expiration date for the Washington Customized Employment Training Program business and occupation tax credit to July 1, 2026.
- Requires the State Board for Community and Technical Colleges to report certain data from the Washington Customized Employment Training Program to the Legislature.

HOUSE COMMITTEE ON COLLEGE & WORKFORCE DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Slatter, Chair; Entenman, Vice Chair; Leavitt, Vice Chair; Chambers, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Chandler, Hansen, Hoff, Kraft, Paul, Pollet, Sells and Sutherland.

Staff: Elizabeth Allison (786-7129).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The Washington Customized Employment Training Program (Program) was created in 2006 to fund workforce training in a manner that reduces up-front training costs to employers locating or expanding in the state. The State Board for Community and Technical Colleges (SBCTC) administers the Program. The SBCTC awards training allowances to eligible employers who contract with qualified community and technical colleges or private vocational schools to provide customized training to individuals. Preference is given to businesses with fewer than 50 employees, and to training that leads to transferable skills that are interchangeable among different jobs, employers, or workplaces.

Once training is complete, the business must repay costs to the Employment Training Finance Account created for the Program. The first payment is equal to 25 percent of the full cost of the training and is due upon the completion of training. The remaining 75 percent is spread over the next 18 months. As each payment is made, the business may take a state business and occupation (B&O) tax credit equal to 50 percent of the payment. The total tax credit is equal to 50 percent of the full cost of the training. Businesses may carry forward unused credits. Credits may not be taken after July 1, 2021.

Summary of Substitute Bill:

The expiration date for use of the Program B&O tax credit is extended from July 1, 2021, to July 1, 2026.

By December 31, 2024, the SBCTC is required to report to the higher education committees of the Legislature on:

- industries supported by the Program;
- the geographical location of companies utilizing the Program;
- the number of employees trained;
- the types of occupations included in the training;
- the wages of employees trained prior to Program entrance and the wage growth one year after training;
- retention of employees for a period of one year after training; and
- credential attainment of employees upon completion of the training, if applicable.

The Legislature states its objective to aid in the recruiting, retaining, and expanding of existing small businesses by extending the expiration of the Program tax credit.

A tax preference performance statement is included.

Substitute Bill Compared to Original Bill:

The substitute bill adds the Legislature's objective in extending the Program and adds a tax preference performance statement.

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) Washington colleges and institutes offer training programs that give businesses, including manufacturing businesses, help with training. There is new urgency in workforce training due to Coronavirus Disease 2019 regarding families and the need to have jobs that will sustain them for a career. The bill pushes out the tax credit expiration. Businesses use this Program to gain skills in partnership with community and technical colleges. The training offered through the Program can include basic education, language skills, assessments, and can cover the costs of equipment and supplies. The Joint Legislative Audit and Review Committee (JLARC) noted that the Program is not meeting the goal of attracting new businesses, but it is meeting the goal of supporting existing businesses. The Program should be continued, and more data gathered. Through the Program, employees can also receive training that helps them in their current jobs. With the tax credit expiring soon, it has been challenging for businesses to take advantage of the tax credits within the time period remaining. If the tax credit is extended, more businesses will be able to take advantage. The bill is supported by the community and technical colleges. The Program narrows skills gaps and addresses worker shortage needs for a robust economy. Since the Program began, Washington businesses have turned to the Program for affordable training. The Program helps employers stay competitive in the marketplace, and training has led to certificates and licenses for employees. The Program provides a resource that allows small businesses to conduct training even when they don't have the upfront costs. Training takes place all over the state, including rural areas. The bill is supported by both business and labor workers. The JLARC was firmly in support of continuing the Program to increase skills. Training is expensive, and the Program helps bridge the gap.

(Opposed) None.

Persons Testifying: Representative Leavitt, prime sponsor; Mike Nielsen, Green River College; Peter Guzman, Washington State Board for Community and Technical Colleges; Lewis McMurrin, Workforce Training and Education Coordinating Board.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on College &

Workforce Development. Signed by 17 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

Staff: Nick Tucker (786-7383).

Summary of Recommendation of Committee On Finance Compared to Recommendation of Committee On College & Workforce Development:

The second substitute bill provides that bill becomes effective July 1, 2021.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2021.

Staff Summary of Public Testimony:

(In support) The Washington Customized Training Program gives businesses in the state an advantage and this tax incentive should be extended to continue to support that program. The program is a flexible workforce training opportunity for businesses and results in increased profitability for business and enhanced affordability for workers. Workers at all levels will need to upgrade their skills in the future. Workforce training will be particularly important in rebuilding the economy after the pandemic. Although the Joint Legislative Audit and Review Committee noted that the incentive is not meeting its original goal of attracting new businesses, it does meet an important need for businesses in the state. This bill changes the objective of the incentive to better meet the current needs of businesses in the state. Many stakeholder groups support this bill, including both labor and business groups. Due to the impending expiration date, businesses are apprehensive to use this program.

(Opposed) None.

Persons Testifying: Representative Leavitt, prime sponsor; Lewis McMurrin, Washington Workforce Board; Mike Nielsen, Green River College; Peter Guzman, Washington State Board for Community and Technical Colleges; and Jeana Ball, Jamco America.

Persons Signed In To Testify But Not Testifying: None.