

HOUSE BILL REPORT

HB 1170

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

Title: An act relating to building economic strength through manufacturing.

Brief Description: Building economic strength through manufacturing.

Sponsors: Representatives Boehnke, Paul, Walsh, Kloba, Shewmake, Santos, Springer, Dolan, Dye, Graham, Leavitt, McCaslin, Young, Walen, Riccelli, Bateman, Lovick, Lekanoff, Eslick, Frame, Barkis, Sutherland, Robertson and Dent.

Brief History:

Committee Activity:

Community & Economic Development: 1/29/21, 2/3/21 [DPS];
Appropriations: 2/16/21, 2/17/21 [DPS(CED)].

Brief Summary of Substitute Bill

- Provides a state goal to double the state's manufacturing employment base, the number of small manufacturing businesses, and the number of women- and minority-owned manufacturing businesses in 10 years.
- Requires the Department of Commerce (Department) to prepare a biennial report to the Legislature on the state of the manufacturing and research and development industry and workforce in Washington.
- Requires the Department to convene a manufacturing council to advise and consult on the development of the report and recommendations.
- Requires the Department to grant funding for initiatives that accelerate the development of regional clusters in manufacturing and research and development.
- Requires the Department to appoint a workforce innovation, clean technology, and aerospace sector leads.

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.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Ryu, Chair; Paul, Vice Chair; Boehnke, Ranking Minority Member; Chase, Assistant Ranking Minority Member; Corry, Frame, Jacobsen, Johnson, J., Kraft, Lovick, Rule, Sutherland and Taylor.

Staff: Kyle Raymond (786-7190).

Background:

The Department of Commerce (Department) is responsible for growing and improving jobs in Washington, facilitating innovation, and streamlining access to business assistance and economic development services by providing them through sector-based, cluster-based, and regional partners.

Industry clusters targeted by the Department include aerospace, agriculture, food manufacturing, clean technology, information and communication technology, forest products, life science, global health, maritime, and military and defense sectors. The Department employs sector leads that work with public officials and industry representatives to promote public-private partnerships, enhance workforce development in targeted industries, and advance strategies that support small business growth and expansion.

Summary of Substitute Bill:

It is a goal of the state to double the manufacturing employment base, the number of small manufacturing businesses, and the number of women- and minority-owned manufacturing businesses in the next 10 years. The Department is responsible for identifying and developing strategies to help achieve the goal.

Manufacturing and Research and Development Report. In support of pursuing the goal, the Department must prepare and update a biennial report to the Legislature on the state of the manufacturing and research and development industry and workforce. The report must identify progress or challenges the state has encountered in achieving the goal and identify recommendations.

The report may include, but not be limited to:

- recommendations for specific actions to develop a manufacturing workforce pipeline and specific manufacturing subsectors that present workforce opportunities or challenges;
- identification of dislocated workers;

- career-connected learning opportunities;
- a survey of financial aid that can be leveraged to fund training for the manufacturing workforce pipeline, such as Washington college grant opportunities, passport to careers, and prison to postsecondary funding;
- recommendations on improving the state's competitiveness for manufacturing and research and development job retention and creation;
- identification of high-demand advanced manufacturing industries and subsectors globally;
- identification of site selection criteria of advanced manufacturing and research and development projects; and
- recommendations of best practices to streamline environmental permit approval and appeal processes for the purpose of getting manufacturing businesses who want to site or expand in Washington more certainty, faster.

In its first biennial report, the Department is required to coordinate with the Office of the Superintendent of Public Instruction and the State Board for Community and Technical Colleges to assess any inadequacy or gaps in delivering hands-on, skills-based learning remotely to all Washingtonians seeking to enter the manufacturing workforce or to be retrained for a transition within the manufacturing workforce.

All state agencies with expertise in workforce development and economic development are encouraged to provide information and resources requested to inform and facilitate identification and analysis of public policy challenges and potential recommendations for the report.

Manufacturing Advisory Council. The Department must convene a Manufacturing Council (Council) to advise and consult on the development of the report and recommendations. The Department's Director, or their designee, must appoint member of the the Council from the private, nonprofit, and public sectors that may best inform the state's ability to innovate, diversify supply chains, and expand living wage jobs in the manufacturing sector.

Representatives of the Council must include small- to mid-sized private sector manufacturing businesses, labor and apprenticeship programs, statewide business associations, higher education institutions, and workforce partners. The Department must work to ensure:

- equal representation of business and labor on the Council;
- that appointees of the manufacturing Council represent every region of the state; and
- that the Council includes a strong array of voices from women and minority executives and labor in manufacturing.

Regionally Tailored Development Strategy. The Department must support the development of regionally tailored strategies to facilitate the continued existence and development of manufacturing workforce across the state. The Department must grant funding for initiatives that accelerate the development of regional clusters intended to grow living wage

jobs in manufacturing and research and development.

The Department is encouraged to consider the creation of regional offices or establishing additional duty stations that facilitate sector leads to be located in the region's most dependent on their sector.

Manufacturing Cluster Acceleration Subaccount. The Manufacturing Cluster Acceleration Subaccount (Account) is established in the Economic Development Strategic Reserve Account. All receipts from appropriations made to the Account shall be deposited into the Account. The Department may make expenditures from the Account to support regional cluster acceleration strategies, including supporting:

- projects to assist manufacturers to diversify their customer base and supply chain;
- pilot or demonstration manufacturing projects coordination with organized cluster initiatives; and
- projects that are intended to increase manufacturing and research and development jobs regionally.

The Department is encouraged to seek match funds for any funds appropriated to this Account and may use funds to match nonstate funds being expended on a specific, related project.

Sector Leads. The Department must appoint a workforce innovation sector lead, to coordinate workforce activities and needs identified by industry sector leads such as the manufacturing, clean technology, and aerospace sector leads, and connect this work with the lead workforce agencies to inform strategic allocation of funding.

Research and Development Report. Within existing resources, the Department must report the progress made in developing, recruiting, and retaining research and development employers and workforce. In addition, the report must include a description of how the state's policy toolkit for developing strength in research and development as a sector compares to competitor states. The report must be submitted to the appropriate committees of the Legislature, beginning December 1, 2022, and continuing every fourth year thereafter,

Funding. Unless otherwise specified, the requirements under the Act are subject to appropriation.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the underlying bill:

- provides that the goal of the state is to double the state's manufacturing employment base, the number of small businesses, and the number of women- and minority-owned manufacturing businesses in the next 10 years;
- provides that the Department is responsible for identifying and developing strategies

- to help achieve, rather than being responsible for implementing, the state goal;
- modifies the requirements related to the biennial report on progress and challenges related to achieving the state goal, including specifying certain items the Department may identify and recommend in support of achieving the state goal;
 - requires the Department to convene an advisory Council, rather than manufacturing and research and development stakeholders, to advise and consult on the report;
 - specifies requirements related to the formation and composition of the Council, including the entities represented, the individuals represented, and the geographic distribution of the representatives;
 - encourages, rather than requires, state agencies to provide information and resources requested to complete the biennial state goal progress report;
 - encourages the Department to consider the creation of regional offices or duty stations, rather than requiring the Department to establish regional offices;
 - establishes the Account for the purpose of making expenditures to support regional cluster development;
 - requires the Department to grant provided funding from the Account for initiatives that accelerate the development of regional clusters intended to grow living wage jobs in manufacturing and research and development;
 - requires the Department to submit a research and development progress report to the Legislature every four years within existing resources;
 - removes the provision that that the Department may not discriminate against or fail to use best efforts on behalf of any lawful manufacturing or research and development activity that seeks to employ Washingtonians; and
 - requires the Department of Commerce to work to ensure that appointees of the manufacturing Council represent every region of the state, rather than working to ensure the Council includes a majority of labor and business appointees from outside the central Puget Sound counties.

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 bill is about having good paying work, wherever you live in Washington. The goal is to double, in 10 years, the number of manufacturing jobs, the number of small manufacturing firms, and the number of women- and minority-owned manufacturing firms.

This bill can help bring greater equity to the manufacturing sector. It is extremely important to encourage more women and people of color to engage in manufacturing, which will bring

in a diverse pool of talent, innovation, and perspective to the sector.

The COVID-19 pandemic has called attention to the need for a strong manufacturing sector. Communities depend on the products manufacturers provide, including personal protective equipment. Due to the economic effects of the pandemic, aerospace employers have had to make the difficult decision between preserving payroll and cutting operating costs, which includes forgoing long-term research and development and innovation strategies that will ultimately yield better results. The absence of federal payroll support has made this even more difficult. This bill will help the economy recover from the economic impacts of the pandemic.

This bill will help Washington make things and export products. This bill will help support economic growth in Eastern Washington, which already possess the conditions and infrastructure to develop this growth. Manufacturing and skilled-craft jobs have long been the backbone of the economy and a strong middle-class Washington. This bill would increase education and training across the state. It is not a given that manufacturing job losses to automation and globalization will occur. However, intervention is needed to prevent the continuation of these job losses. It is critical to support union and middle-wage jobs up and down the supply chain.

The bill also makes a modest, but important first step in strengthening our research and development pipeline. To expand manufacturing in the state we must rapidly develop and transition new manufacturing technologies into practice. This bill will help do that, particularly the sector leads in the Department.

This bill aligns with the Department's mission of supporting regional, manufacturing, and cluster development. The bill would align with work the Department is already doing. A vital part of the bill is that the manufacturing council brings workforce development and economic development partners together. This bill will also help the state become more globally competitive in the manufacturing and research and development sectors.

(Opposed) None.

Persons Testifying: Representative Boehnke, prime sponsor; Tommy Gantz, Association of Washington Business; Vladimir Gutman-Britten, Washington State Labor Council; Joel Bouchey, Inland Northwest Associated General Contractors; Stephanie Swanberg, Tri-City Regional Chamber of Commerce; Hillary Haden, Washington Fair Trade Coalition; Emily Wittman, Aerospace Futures Alliance; Steven Ashby, Battelle; Allison Budvarson, Out of the Box Manufacturing Limited Liability Company; Kate Lampson, Lampson International, LLC.; Chris Green, Department of Commerce; Stephen Tibbitts, ZEVA, Inc.; and Frank Boykin, South Sound Manufacturing Industrial Council.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Community & Economic Development be substituted therefor and the substitute bill do pass. Signed by 33 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

Staff: Jessica Van Horne (786-7288).

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

No new changes were recommended.

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) The bill will help Washington residents get back to work and will improve the state's standing as a center for manufacturing and research and development. The current public health and economic crisis has demonstrated the state's need to access goods made and manufactured domestically and within Washington, especially for critical products such as personal protective equipment. Washington has also lost local manufacturing facilities and associated jobs in the last few years. The bill will encourage investment in manufacturing and will provide benefits such as making up for closed facilities and increasing the number of well-paying jobs in the state. It will help the state become a stronger trade partner by providing more opportunities for export and boosting the state's overall economic recovery. The goals outlined in the bill would encourage general expansion of the manufacturing sector and help increase the number of women and minority-owned manufacturing businesses. Communities across the state are well-positioned to take advantage of the opportunities the bill would provide. The substitute bill aligns with current work being done by the Department of Commerce and would allow the state to leverage non-state dollars.

(Opposed) None.

Persons Testifying: Vlad Gutman-Britten, Washington State Labor Council; Brian Young, Washington Department of Commerce; Tommy Gantz, Association of Washington Business; and Stephanie Swanberg, Tri-City Regional Chamber of Commerce.

Persons Signed In To Testify But Not Testifying: None.