

SENATE BILL REPORT

2SHB 1033

As of April 1, 2021

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

Brief Description: Concerning the Washington customized employment training program.

Sponsors: House Committee on Finance (originally sponsored by Representatives Leavitt, Boehnke, Bronoske, Santos, Paul and Orwall).

Brief History: Passed House: 3/3/21, 97-0.

Committee Activity: Higher Education & Workforce Development: 3/16/21, 3/18/21 [DP-WM].

Ways & Means: 4/01/21.

Brief Summary of 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.

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

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

Signed by Senators Randall, Chair; Nobles, Vice Chair; Holy, Ranking Member; Liias.

Staff: Kellee Gunn (786-7429)

SENATE COMMITTEE ON WAYS & MEANS

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.

Staff: Alia Kennedy (786-7405)

Background: Washington Customized Employment Workforce Training Program. The Washington Customized Employment Workforce Training Program (program) was created in 2006 for employers locating or expanding in the state. The original program was set to expire in 2012 but was extended to July 1, 2021 in 2012.

The program awards training allowances to employers who have entered into training agreements with community and technical colleges (CTCs) in the state. Preference in granting training allowances is given to employers with fewer than 50 employees. At the completion of training, employers are required to pay one-quarter of the cost of the training into the employment training finance account (account). The additional three-quarters of the cost are to be paid into the account over the following 18 months. A business and occupation (B&O) tax credit is provided to employers for half of the amount they pay into the account for employee training. The employer must make good faith efforts to hire from trainees in the program, otherwise the employer is expected to make additional payments to the account. Colleges must make good faith efforts to use trainers preferred by employers participating in the program.

The State Board for Community and Technical Colleges (SBCTC) administers the program.

Summary of Bill: Washington Customized Employment Workforce Training Program. The B&O tax exemption for employers participating in the program is extended from July 1, 2021, to July 1, 2026.

By December 31, 2024, the SBCTC shall submit a report to the higher education committees of the Legislature that provides the following information:

- industries supported by the program;
- location of participating companies;
- number of employees trained;
- types of occupations included in the training;
- wages before the program and one year after training;
- retention of employees for the year after training; and
- credential attainment of employees when training is completed, if applicable.

Tax Preference Statement. There is a tax preference statement which establishes that the Legislature's public policy objective with the program is to provide customized training assistance that retains and expands existing businesses in Washington. If the Joint Legislative Audit Review Committee finds that 75 percent of the participating businesses complete the training and repay the customized employment training program loan, then the Legislature intends to extend the expiration date of this tax preference.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2021.

Staff Summary of Public Testimony (Higher Education & Workforce Development):

PRO: This program gives small employers a leg up and should be extended. The program covers a variety of training courses including basic education, English as a second language, technical training, and many others. This extension was a major priority of the future of work task force. Washington business owners turn to this program as an affordable option for worker training. More than 95 businesses have benefited from this program. These businesses have been able to utilize worker training without the need for upfront funds. This will incentivize worker upskilling throughout the state.

Retail is the third largest employment sector in the state. A B&O credit for upskilling is incredibly important during this time when so much retail is occurring online. Small businesses can stay competitive by investing in their workforce. As one of the CTCs that work with businesses for the worker customized training program, we recognize that smaller businesses have a hard time providing the training employees need. As an example, one organization had recently acquired a Texas company and part of the calculation of whether to move to Texas or not was the opportunity to use the customized training program. The company was able to stay in Kent and expand because of this program.

Persons Testifying (Higher Education & Workforce Development): PRO: Representative Mari Leavitt, Prime Sponsor; Lewis McMurrin, Workforce Board; Peter Guzman, Washington State Board for Community and Technical Colleges; Rose Gunderson, Washington Retail Association; Mike Nielsen, Green River College.

Persons Signed In To Testify But Not Testifying (Higher Education & Workforce Development): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: The training this program provides gives employees the necessary technical and social skills to succeed in the job market. This program helps bridge the training gap for small to mid-sized businesses. COVID-19 has forced businesses to provide new tools to meet training requirements. Without this type of training, workers would have a lengthy pathway to employment. Access to this program helps attract businesses to Washington and create a robust economy. Industry based training is fantastic for smaller businesses. Small businesses are able to provide training to their employees even if they do not have the upfront costs. Training helps businesses and employees stay up to speed in competitive markets.

Persons Testifying (Ways & Means): PRO: Lewis McMurrin, WA Workforce Board; Rose Gunderson, Washington Retail Association; Michael Brandstetter, City of Lakewood;

Mike Nielsen, Green River College; Peter Guzman, WA SBCTC.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.