PROPOSED SUBSTITUTE BILL MEMORANDUM

To: Members of the Community & Economic Development Committee

From: Kyle Raymond, Research Analyst

Re: **Proposed Substitute HB 1170 (H–0578.1)** - Building Economic Strength Through Manufacturing

Sponsored by Representative Boehnke

Date: January 28, 2021

A brief summary of HB 1170:

- Establishes a state goal for Washington to consistently have the highest share of workforce involved in manufacturing and research and development (R&D) occupations of any state.
- Requires the Department of Commerce (Department) to implement the state's goal.
- Requires the Department to conduct certain activities in support of achieving the goal, including convening stakeholders, assessing remote manufacturing workforce training challenges, establish regional offices, and issuing multiple reports to the Legislature.
- Requires the Department to employ a sector lead for general manufacturing, and a sector lead for R&D.
- Provides 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.

The proposed substitute (H-0578.1) makes the following changes to HB 1170:

- 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 of Commerce (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 R&D 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 a manufacturing cluster acceleration subaccount (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 R&D.
- Requires the Department to submit a R&D progress report to the Legislature every four years within existing resources.
- Removes the provision that the Department may not discriminate against or fail to use best efforts on behalf of any lawful manufacturing or R&D activity that seeks to employ Washingtonians.

AN ACT Relating to building economic strength through manufacturing; adding new sections to chapter 43.330 RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** This act may be known and cited as the Washington BEST manufacturing act.

NEW SECTION. **Sec. 2.** It is the intent of the legislature that Washington retain and build on its leadership in the manufacturing and research and development sectors. The legislature finds that a thriving research and production sector are complimentary and should be promoted in every region of the state. The legislature finds this is critical to provide a strong, resilient tax base for good schools, safe streets, and community optimism. Therefore, the legislature intends to identify and invest in strategies to ensure every geographic region of the state can benefit from a strong manufacturing and research and development base, with the goal of doubling 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.

NEW SECTION. **Sec. 3.** (1) The department is responsible for identifying and developing strategies to help achieve the goals established in section 2 of this act. In support of pursuing the goal, the department must prepare and update each fiscal biennium a report 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 goals established in section 2 of this act and identify recommendations to the legislature.

(2) The report may include, but not be limited to:

(a) Recommendations for specific actions to develop a manufacturing workforce pipeline and specific manufacturing subsectors that present workforce opportunities or challenges;

(b) Identification of dislocated workers;

(c) Career-connected learning opportunities;

(d) 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;

(e) Recommendations on improving the state's competitiveness for manufacturing and research and development job retention and creation;

(f) Identification of high-demand advanced manufacturing industries and subsectors globally;

(g) Identification of site selection criteria of advanced manufacturing and research and development projects; and

(h) 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.

(3) The department must convene a manufacturing council to advise and consult on the development of the report and recommendations.

(a) The director or the director's designee must appoint to the council such persons from the private, nonprofit, and public sectors as may best inform the state's ability to innovate, diversify supply chains, and expand living wage jobs in the manufacturing sector.

(b) Representatives 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:

(i) Equal representation of business and labor on the council;

(ii) That a majority of labor and business appointees to the council come from outside the central Puget Sound counties to support prioritizing economic diversification and strength across all of Washington; and

(iii) That the council includes a strong array of voices from women and minority executives and labor in manufacturing.

(4) All state agencies with expertise in workforce development and economic development are encouraged to provide such information and resources as may be requested to inform and facilitate identification and analysis of public policy challenges and potential recommendations for the report in subsections (1) and (2) of this section.

(5) In its first biennial report, the department shall 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.

NEW SECTION. **Sec. 4.** (1) The department must support the development of regionally tailored strategies to facilitate the continued existence and development of manufacturing workforce across the state.

(2) To support regional manufacturing cluster development and job creation, the department must grant any funding provided in section 5 of this act for initiatives that accelerate the development of regional clusters intended to grow living wage jobs in manufacturing and research and development.

(3) 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 regions most dependent on their sector.

NEW SECTION. **Sec. 5.** (1) The manufacturing cluster acceleration subaccount is established in the economic development strategic reserve account. All receipts from appropriations made to the manufacturing cluster acceleration subaccount shall be deposited into the subaccount.

(2) The department may make expenditures from the subaccount to support regional cluster acceleration strategies, including: Supporting projects to assist manufacturers to diversify their customer base and supply chain, supporting pilot or demonstration manufacturing projects coordination with organized cluster initiatives, and supporting projects that are intended to increase manufacturing and research and development jobs regionally.

(3) The department is encouraged to seek match funds for any funds appropriated to this account and may utilize funds to match nonstate funds being expended on a specific project that aligns with the purpose of this section.

NEW SECTION. **Sec. 6.** (1) 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.

(2) Within existing resources, the department must report to the appropriate committees of the legislature beginning December 1, 2022, and continuing every fourth year thereafter, the progress made in developing, recruiting, and retaining research and development employers and workforce; and a description of how the state's policy toolkit for developing strength in research and development as a sector compares to competitor states.

NEW SECTION. **Sec. 7.** The duties in sections 2 through 6 of this act are subject to the availability of amounts appropriated for the specific purpose.

NEW SECTION. **Sec. 8.** Sections 2 through 7 of this act are each added to chapter 43.330 RCW and codified with the subchapter heading of "MANUFACTURING AND RESEARCH AND DEVELOPMENT SECTOR PROMOTION."

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