STATE OF WASHINGTON
DEPARTMENT OF COMMERCE
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December 16, 2024

The Honorable Sarah Bannister, Secretary of the Senate
312 Legislative Bldg.
PO Box 40482
Olympia, WA 98504-0482

The Honorable Bernard Dean, Chief Clerk of the House of Representatives
338B Legislative Bldg.
PO Box 40600
Olympia, WA 98504-0600

Re: Chapter 64, Laws of 2021, Section 3(1), Washington manufacturing workforce report

Dear Secretary Bannister and Chief Clerk Dean,

On behalf of the Washington State Manufacturing Council (WSMC), the Department of Commerce is submitting the enclosed report, summarizing the states manufacturing sector while outlining key policy discussions aimed to foster growth and sustainability in this vital industry. This report reflects the Council's commitment to driving innovation and competitiveness, while addressing challenges within the sector.

The report draws on data from the Washington State Employment Security Department, and builds upon insight from the 2022 Washington State Manufacturing Council Report. Both the progress and ongoing challenges within the sector are highlighted – including a 15.6% increase in manufacturing businesses over the past decade contrasted with a 4.4% decline in employment during the same period.

These findings underscore the urgency for addressing barriers to workforce development and industry expansion.

During this reporting period, the Council engaged extensive deliberation on two key policy areas: *Research & Development (R&D) tax credits* and *streamlined site permitting processes*. While significant progress was made in framing these policies, the Council was unable to reach a consensus on the integration of labor standards within these proposals. The Council continues to work collaboratively to resolve these differences, and to ensure proposed policies align with the shared goals of economic growth and equitable workforce development.

The Council's work reflects the collaborative efforts of leaders, from business and labor, unified in their commitment to strengthening Washington's manufacturing sector. By maintaining open dialogue, we aim to develop policies that foster innovation and competitiveness while ensuring shared prosperity for businesses, workers, and communities across the state.

Should you have any questions or require further clarification, please contact me directly. The Council looks forward to a continued partnership with the legislature as, together, we advance Washington's manufacturing future.

Sincerely,



Kairie Pierce
Workforce Innovation Sector Lead
Washington State Department of Commerce

Enclosure (1)

Washington State Manufacturing Council Report
To the Washington State Legislature

Introduction

The Washington State Manufacturing Council (WSMC) presents this report to summarize the current landscape of the state's manufacturing sector and offer recommendations on critical policy areas to drive industry growth and sustainability. This report draws from data published by the Washington State Employment Security Department (ESD) and the findings of the 2022 Washington State Manufacturing Council Report.

Manufacturing Council Members

Alison Budverson, Out of the Box Manufacturing, Business Co-Chair
Todd Mitchell, Heat and Frost Insulators Local 7, Labor Co-Chair

Business Members: Phil Stephenson, PACCAR; Susan Champlain, BOEING; Chris Preti, Jubilant Hollister Stier; Russ Vaagen, Vaagen Timbers; Amilia Clark, Goodwin Composites; Adam Day, First Mode

Labor Members: Shana Peschek, Machinists Institute; Ted Cummings, United Steelworkers Local 338; Jon Holden, IAM751; Gaylan Prescott, United Steel Workers, District 12; Brenda Wiest, Teamsters Local 117; Scott Tift, AWPPW; John Traynor, Washington State Labor Council, AFL-CIO

Workforce Development Members: Dave Mastin, AWB; Kelly Sowers, Impact WA; Becky Wallace, Office of Superintendent of Public Instruction; Kimbery Hetrick, Career Connect WA; Marie Bruin, WA State Board for Community & Technical Colleges

Key Findings

The 2022 report highlighted significant trends and challenges in Washington's manufacturing industry. While the number of manufacturing businesses has grown by 15.6% over the last decade and 4.5% in the past five years, employment in the sector has declined by 4.4% and 4.6%, respectively, over the same periods. These mixed results indicate that while businesses are expanding, the sector faces difficulties in maintaining employment levels. Growth in specific industries such as food and beverage manufacturing contrasts with the notable decline in sectors such as textile product mills. [1]

[1] Data on manufacturing growth and employment trends are sourced from the Washington State Employment Security Department, Quarterly Census of Employment and Wages (QCEW), 2023.

Policy Recommendations

During the course of deliberations, the Manufacturing Council engaged in extensive discussions regarding two critical policy areas to address these challenges: Research & Development (R&D) tax credits and streamlined site permitting processes. These policies were identified as key strategies to drive innovation, improve competitiveness, and reduce barriers to growth. However, the Council was unable to reach consensus on specific language for these policies, particularly regarding labor standards and their integration with the proposed measures.

Research & Development (R&D) Tax Policies

While broad agreement on the need to incentivize research and innovation through targeted tax credits was achieved, the Council could not reach consensus on provisions to ensure adherence to agreed-upon labor standards. Points of discussion included:

- Eligibility and Credits:
    - Proposed tiered system for tax credits based on business size.
    - Divergent views on the role of labor standards in determining eligibility for credits.
- Incentivizing Innovation and Accountability:
    - Agreement on requiring annual tax performance reports.
    - Disagreement on how to measure and enforce compliance with labor standards.
- Long-Term Vision and Performance Review:
    - General support for periodic performance reviews.
    - Differing perspectives on incorporating labor outcomes into evaluation metrics.

Streamlined Site Permitting

The Council also deliberated on streamlining permitting processes to reduce regulatory delays and costs. While the proposed framework aimed to increase efficiency, consensus could not be reached on how to align these processes with robust labor standards. Key areas of discussion included:

- Opt-in Process:
    - Agreement on providing manufacturers the option to opt into an expedited permitting process.
    - Unresolved concerns regarding local workforce impacts and wage protections.
- Clear Criteria and Faster Approvals:
    - General agreement on establishing clear project criteria.
    - Disagreement on enforcement mechanisms to ensure labor compliance.

- Expedited Appeals and Local Preemption:
    - Support for reducing redundant regulations.
    - Divergence on the balance between efficiency and safeguarding labor interests.
- Enforcement and Accountability:
    - Shared commitment to statutory deadlines.
    - Differing views on the role of fines and their allocation to labor-related programs.

Conclusion

The Washington State Manufacturing Council remains committed to fostering growth and sustainability in the state's manufacturing sector. While significant progress has been made in identifying key policy areas, the Council continues to work together to resolve differences, particularly regarding labor standards and their integration into proposed policies.

The Council believes collaboration between business and labor is essential to ensuring policies that drive innovation and competitiveness, while also upholding equity and shared prosperity. By maintaining open dialogue and seeking common ground, the Council aims to build a strong foundation for Washington's manufacturing future.

The Council welcomes further input and looks forward to continuing efforts with the legislature and additional stakeholders to advance critical initiatives.