

# HOUSE BILL REPORT

## SHB 1323

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### As Passed House:

March 5, 2009

**Title:** An act relating to coordinating workforce and economic development.

**Brief Description:** Providing for coordination of workforce and economic development.

**Sponsors:** House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Kenney, Liias, Haler, Sullivan, Sells, Hasegawa, Maxwell, Chase, Ormsby, Conway, Goodman, Morrell, Driscoll, Simpson and Orwall; by request of Workforce Training and Education Coordinating Board).

### Brief History:

#### Committee Activity:

Community & Economic Development & Trade: 1/29/09, 2/4/09 [DPS];

Education Appropriations: 2/25/09, 2/26/09 [DPS(CEDT)].

#### Floor Activity

Passed House: 3/5/09, 96-1.

### Brief Summary of Substitute Bill

- Directs state and local economic and workforce development organizations to coordinate among workforce training priorities, the state's long-term economic development strategy, industry cluster assistance, and entrepreneurial development.
- Defines "center of excellence" and directs the State Board for Community and Technical Colleges to designate and fund new and existing centers on a competitive basis.
- Defines "workforce development council" and requires local councils to develop and maintain unified workforce development system plans.
- Requires the state agencies to provide a written progress report by December 15, 2010, on actions taken to achieve the intent and objectives of the act.

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## HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

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

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Lias, Orcutt, Parker, Probst and Sullivan.

**Staff:** Meg Van Schoorl (786-7105)

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## HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Community & Economic Development & Trade be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Anderson, Carlyle, Cox, Haler, Hunter, Kagi, Probst, Quall, Rolfes and Wallace.

**Staff:** Debbie Driver (786-7143)

### **Background:**

#### State Agencies and Local Workforce and Economic Development Organizations.

*The Workforce Training and Education Coordinating Board (WTB)* provides planning, coordination, evaluation, monitoring and policy analysis for the state training system as a whole.

*The Department of Community, Trade and Economic Development (DCTED)* assists communities to increase citizen's quality of life and their economic vitality. It also assists businesses to maintain and increase their economic competitiveness, while maintaining a healthy environment.

*The Employment Security Department*, in addition to administering unemployment compensation and employment services, is responsible for the development, administration, and dissemination of state occupational information, including the state occupational forecast.

*The State Board for Community and Technical Colleges* has general supervision and control over the state system of community and technical colleges. These institutions are responsible for offering academic transfer courses, occupational education and training, and adult basic skills and literacy education.

*The Washington Economic Development Commission* is responsible for planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system.

*Workforce development councils* are 12 regional organizations that provide workforce development planning and coordination between education, training and employment efforts in their communities. They were formed under the Federal Workforce Investment Act of 1998, Public Law 105-220.

*Associate development organizations* are 34 county-designated organizations that deliver direct assistance to companies and support regional economic research and planning efforts to implement economic development strategies.

### Sectors and Clusters.

In its 2008 report “Skills for the Next Washington,” the WTB describes and differentiates industry clusters and sectors.

*"Industry cluster is the term for a geographic concentration of inter-dependent competitive firms that do business with each other, including firms that sell inside and outside of the geographic region as well as support firms that supply new materials, components and business services, and other institutions including government and education. It includes upstream suppliers of inputs – such as firms that supply materials and equipment, and downstream customers, including other firms. It also includes related entities that shape the environment within which the industry operates – such as government regulatory bodies. The key characteristic is inter-relatedness. A cluster is not the same thing as an industry sector. A sector is a group of firms with similar business processes, products or services, for example construction or health services. At the core of a cluster is a particular industry sector, but a cluster is not restricted to firms within the sector....Also, firms exist in sectors even when there are few firms in the sector in a geographical area. A cluster, by definition, requires geographic concentration."*

Examples of sectors in Washington include aerospace, agriculture, and marine services. Examples of clusters include aerospace in Snohomish and King counties, wine in Walla Walla, and software east of Lake Washington.

### **Summary of Substitute Bill:**

State agencies and local organizations with missions related to workforce and economic development are directed to coordinate their efforts to assist industry clusters.

The WTB must work with the DCTED and the Washington Economic Development Commission (Commission) to ensure coordination among workforce training priorities, the state’s long-term economic development strategy, assistance to industry clusters, and entrepreneurial development. In its comprehensive plan for workforce training and education, the WTB must identify the strategic industry clusters targeted by the workforce development system.

The sector-based strategies of the DCTED must include cluster-based strategies that focus on assisting regional industry sectors and related firms and institutions. An “industry cluster” is defined as a geographic concentration of interconnected companies in a single industry, related businesses in other industries, including suppliers and customers, and associated institutions, including government and education.

The Commission is added to a committee advising the DCTED on its industry clusters grant program. Eligible grant activities are specified, including formation of economic development partnerships; research and analysis of cluster economic development needs;

planning and implementation of targeted activities. Priority must be given to applicants that complement, not duplicate, the purpose and efforts of industry skill panels. In addition, the Commission is directed to include industry clusters and targeted strategic clusters in its biennial comprehensive plan. The Commission must consult with the WTB and include labor market and economic information by the Employment Security Department (ESD) in developing the list of clusters and strategic clusters.

The ESD must analyze labor market and economic data in order to identify industry clusters and strategic industry clusters.

The State Board for Community and Technical Colleges (SBCTC) must designate and fund new and existing centers of excellence on a competitive basis. A “center of excellence” is a community or technical college designated by the SBCTC as a statewide leader in industry-specific workforce education and training. The SBCTC must consult with business, industry, labor, certain state agencies, and educational institutions. Priority in such designation is to be given to applicants with established programs serving a targeted industry cluster within its own region. Centers of excellence are to employ strategies that, among other outcomes, build a diverse workforce for strategic industries through sharing curriculum, delivering collaborative certificate and degree programs, and holding statewide summits on industry trends and educational best practices.

A “workforce development council” is a local workforce investment board as established in federal law. In partnership with local elected officials, a council must develop and maintain a unified local strategic plan that, among other elements, assesses local employment opportunities, identifies the educational, training, employment and support services needed by the current and future workforce, and puts in place a system-wide financial strategy. The plan must articulate the connection between local workforce and economic development efforts.

Associate development organizations are required to participate in coordinated regional planning efforts with workforce development councils, including assistance to regional industry clusters.

By December 15, 2010, the WTB, the DCTED, the Commission, the ESD, and the SBCTC must jointly submit a written progress report to the appropriate legislative committees describing concrete actions taken, individually and collectively, to achieve the act's intent and objectives. The report must describe: direct services or funding provided to regional industry clusters; designation and funding of Centers of Excellence; identification of clusters in state and local strategic plans; how analysis of labor market and economic data is being used in cluster identification; joint planning and service delivery by associate development organizations and workforce development councils; coordination of workforce training, economic development strategy and entrepreneurial development; and, any quantitative and qualitative outcomes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Community & Economic Development & Trade):**

(In support) This bill is an important signal of state leadership's intent that workforce and economic development be inextricably linked. We have heard from stakeholders across the state that there are too many conflicting priorities in the current system. By codifying state agencies' statements of common purpose, agency roles and partnerships, and clear, consistent definitions, the state agencies are starting to provide a more cohesive, coordinated direction. The clusters approach is one tool among a number of economic development organizing principles, and it will be a valuable guide in prioritization of public resources. This approach aligns well with the three key pillars of the strategic plan for an innovation economy: workforce, infrastructure, and investment in entrepreneurship. Business has had an active involvement with this effort. It only makes sense to align agency's missions when possible to promote fiscal efficiencies when struggling with a state budget deficit. Flexibility and responsiveness by workforce and economic development organizations are needed to support the evolving needs of industry clusters and employers. In the majority of regions, associate development organizations and workforce development councils already work jointly, but it is useful to formalize collaboration as an expectation.

(Opposed) None.

**Staff Summary of Public Testimony (Education Appropriations):**

(In support) This bill is an important aspect of creating a stable, vital, state community and economy. The state needs a skilled workforce to achieve a vital economy. Without strong cooperation between public and private organizations and businesses, the workforce will not be as strong as needed. This bill provides an organizational framework which will lead to improved collaboration and outcome-based reporting of efforts of state workforce training and economic development offices and agencies. The inclusion of entrepreneurial training programs is an important aspect of the bill.

(Opposed) None.

**Persons Testifying (Community & Economic Development & Trade):** Representative Kenney, prime sponsor; Jim Crabbe, State Board for Community and Technical Colleges; Mark Calhoun, Department of Community, Trade and Economic Development; Eleni Papadakis and Bryan Wilson, Workforce Training and Education Coordinating Board; Egils Milbergs, State Economic Development Commission; Amber Carter, Association of Washington Business; and Dick Larman, Lewis County Economic Development Council.

**Persons Testifying (Education Appropriations):** Representative Kenney, prime sponsor; Carolyn McKinnon, Workforce Training and Education Coordinating Board; and Lisa Smith, Enterprise for Equity.

**Persons Signed In To Testify But Not Testifying (Community & Economic Development & Trade):** None.

**Persons Signed In To Testify But Not Testifying (Education Appropriations):** None.