

HOUSE BILL REPORT

HB 2630

As Reported by House Committee On:
Higher Education
Education Appropriations

Title: An act relating to creating the opportunity express program.

Brief Description: Creating the opportunity express program.

Sponsors: Representatives Probst, Kenney, Conway, Maxwell, Jacks, White, Simpson, Seaquist, Sells, Goodman, Ormsby and Santos.

Brief History:

Committee Activity:

Higher Education: 1/15/10, 1/20/10 [DPS];

Education Appropriations: 2/2/10, 2/4/10 [DP2S(w/o sub HE)].

Brief Summary of Second Substitute Bill

- Requires that colleges give priority in the use of Worker Retraining funds to programs in aerospace, health care, long-term care, advanced manufacturing, construction, renewable energy industries, and high-demand occupations in strategic industry clusters as identified by the state and local comprehensive workforce development plans developed by the Workforce Education and Training Coordinating Board and the local Workforce Development Councils.
- Encourages the State Board for Community and Technical Colleges to develop a single website for the purpose of advertising the availability of funding for the Worker Retraining, Opportunity Grant, Opportunity Internship programs, training programs approved by the commissioner of the Employment Security Department and training programs administered by labor and management partnerships.
- Creates the Opportunity Express Account and stipulates that funding may be used for certain training programs and administrative costs up to \$88,844,000.
- Provides for an unemployment tax credit in 2010 and 2011 equal to 110 percent of an employer's voluntary contributions to the Opportunity Express Account, but not more than the amount of unemployment contributions attributable to the social cost factor rate.

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.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Wallace, Chair; Sells, Vice Chair; Anderson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Angel, Carlyle, Driscoll, Haler, Hasegawa and White.

Staff: Andi Smith (786-7304).

Background:

Worker Retraining Program.

The Worker Retraining Program (WRP) provides funding to dislocated and unemployed workers for training programs and related support services including financial aid, career advising, educational planning, referral to training resources, job referral, and job development. The WRP includes a grant of financial aid to students that can be used to help pay for tuition, books, fees, and related expenses. To qualify, a person must be eligible for or have exhausted his or her unemployment compensation benefits within the last 24 months. Dislocated workers and long-term unemployed people have priority access to training and support services. Displaced homemakers, those formerly self-employed, and unemployed veterans recently separated from service may also qualify. Vulnerable workers (those who are employed but in declining occupations and have less than one year of college education plus a credential) may qualify depending upon the economic status of the local community.

The State Board for Community and Technical Colleges (SBCTC) administers the WRP program and requires each college to convene a Worker Retraining advisory committee (committee). The committee must include involvement from business and labor and is required to help colleges link students to high-wage, high-employer demand programs suited to local needs. Each college is also required to submit an annual plan that lays out how WRP program funds will be used and how WRP programs are linked to the overall economic development strategy of the region. Each college may contract with private career colleges to provide WRP program capacity.

During the most recent economic recession, demand for the WRP has greatly expanded. Compared to the same academic quarter in the prior year, Worker Retraining enrollments grew 26 percent in fall quarter 2008, 39 percent in winter quarter 2008, and 50 percent in spring quarter 2009. Worker Retraining enrollments are driven in large part by unemployment rates. At the start of the 2008-09 academic year the state's unemployment rate was 5.41 percent. Unemployment grew steadily throughout the year and it now stands at just over 9 percent. Unemployment is expected to continue to increase through spring 2010, topping out at almost 10 percent. Last year the program served 8,900 full-time equivalent students (FTES).

Opportunity Grant Program.

The SBCTC administers the Opportunity Grant (OPP) program that is designed to assist low-income students enroll in college for training in high-wage, high-demand career pathways.

These pathways are to provide a minimum beginning wage of \$13 per hour in Washington (\$15 per hour in King County). Eligible students pursuing approved career pathways at any of the 34 Washington community and technical colleges or eight approved private career colleges may receive funds for tuition and fees for up to 45 credits and up to an additional \$1,000 for books, supplies, or tools. To qualify, a person must make a formal application to the OPP program, be a Washington resident student, enroll in an Opportunity Grant-eligible program of study, have family income that is at or below 200 percent of the federal poverty level using the most current guidelines available, and have financial need based on federal methodology from the Free Application for Federal Student Aid.

In 2006 the Legislature appropriated \$4 million to kick off an Opportunity Grant pilot project at 10 community and technical colleges. The 10 pilot OPP programs showed excellent results with 73 percent retention and approximately 843 low-income students participating in training for high-wage, high-demand career pathways. In 2007 the Legislature expanded the Opportunity Grant program by \$7.5 million for a total of \$11.5 million per year for all 34 community and technical colleges. In 2007-08 the Opportunity Grant program served over 2,000 FTES or approximately 3,000 full-time and part-time students. Again, student persistence exceeded expectations with an 81 percent fall to spring retention rate. By 2008 the OPP program had grown to serve almost 5,000 full- and part-time students equivalent to 3,305 FTES.

Opportunity Internships.

Created in 2009, the Opportunity Internship program (program) provides incentives for local consortia to build educational and employment pipelines for low income high school students in high-demand occupations in targeted industries. The program is administered by the Workforce Training and Education Coordinating Board (WTECB) and offers outreach, internships, pre-apprenticeships, counseling, and up to one year of financial aid through the State Need Grant, as well as the promise of a job interview if the student completes a postsecondary program of study.

Under the program, consortia, composed of the area Workforce Development Councils (WDC), Economic Development Council, high schools, community or technical colleges, public and private four-year institutions of higher education, apprenticeship councils, private vocational schools, employers, and labor organizations use existing federal, state, and private resources to:

- identify high-demand occupations in targeted industries for which internships and pre-apprenticeships will be developed and provided for low income students;
- develop paid or unpaid internships and pre-apprenticeships of at least 90 hours in length; and
- provide mentoring, guidance, and assistance with college applications and financial aid.

Unemployment Insurance.

Most covered employers pay unemployment contributions (payroll taxes) to finance unemployment benefits. An employer's contribution rate includes an experience rated factor, a social cost factor, and when the balance in the unemployment insurance trust fund (trust

fund) meets certain conditions, a solvency surcharge. (There is currently no solvency surcharge.)

The experience rated factor is based on the employer's rate class. An employer is assigned to one of 40 rate classes depending on the employer's layoff experience.

The social cost factor is a percentage of costs not directly charged to employers. A flat social cost rate is calculated as the difference between benefits paid and taxes paid, divided by total taxable payroll, and then adjusted for months of benefits in the trust fund. A graduated social cost rate is based on the employer's rate class.

The sum of the experience rated factor and the social cost factor may not exceed 6.0 percent. This sum is capped at 5.4 percent for certain seasonal industries (agricultural crops, livestock, agricultural services, food and seafood processing, fishing, and cold storage).

Summary of Substitute Bill:

In administering the WRP, community and technical colleges must give priority to programs that train students in aerospace, healthcare, advanced manufacturing, construction, or renewable energy. The colleges may also prioritize additional programs of study if those programs are linked to high-demand industries identified in the state comprehensive plan for workforce development by the WTECB, as well as in local workforce development plans developed by area WDC. Additional industries and occupations identified by the area WDC can also be prioritized.

The SBCTC is encouraged to create a single website to advertise the availability of workforce education and training resources. The website must explain that the Opportunity Express program helps people who want to pursue college and apprenticeships for certain targeted industries and that it includes three tracks: (1) Worker Retraining for unemployed adults; (2) the Opportunity Grant program for low-income adults; and (3) the Opportunity Internship program for low-income high school students. The website may also include a link to the Washington State Department of Labor and Industries apprenticeship program. If the SBCTC opts to create the website, it must be completed by July 1, 2010.

The Opportunity Express Account (Account) is created and stipulates that funding may only be used for the Worker Retraining, Opportunity Grant, and Opportunity Internship programs up to \$100 million. Up to 2 percent of the funds in the Account may be used for outreach, recruiting, and advertising to ensure the rapid use of funds in the Account.

Substitute Bill Compared to Original Bill:

The substitute bill maintains provisions that priority receipt of funds should be given to those applicants serving aerospace, healthcare, advanced manufacturing, and renewable energy, but expands priority status to construction and other programs serving high-demand industries identified in the state comprehensive plan for workforce development, as well as in the local plans for workforce development created by the area WDC. The substitute bill also

acknowledges the role that the Department of Commerce plays in analyzing labor market and economic data to identify strategic industry clusters.

The substitute bill removes the statutory requirement that the colleges annually prepare a Worker Retraining plan and get that plan approved by the area WDC before Worker Retraining funding can be used as well as the statutory requirement that colleges and the WDC form partnerships to assure that economic development strategy and program array are aligned.

Provisions that would have required the SBCTC to annually report to the Governor and appropriate committees of the Legislature regarding the WRP outcomes are removed.

The new bill removes automatic eligibility requirements for recipients of the Supplemental Nutrition Assistance Program (formerly Food Stamps), Temporary Aid to Needy Families, and Free and Reduced-Price Lunch and makes permissive the requirement to develop a website for outreach and advertising of the Opportunity Express program. If a website is developed, the substitute bill stipulates that it may include a link to the state apprenticeship website maintained by the Department of Labor and Industries.

Provisions regarding the creation of the Account remain fundamentally the same.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) The genesis of this bill is straightforward: there are tens of thousands of people unemployed, especially in Clark County, and they can either spend this time idle or they can get into training and increase their skills. Training would increase their chance at self-sufficiency as well as the competitive advantage for our state. Conversations with stakeholders indicated that the three programs that are part of this bill are the best and most straightforward options for getting people into training, but a key issue right now is capacity. We need a model that allows colleges to hire more faculty and add sections to accommodate greater demand. We also have a need to make sure people know about the availability of training resources and so the programs were packaged together as an advertising tactic. It is also critically important that we provide additional funding to the programs and as such, the bill creates a "catcher's mitt" to receive any federal funding that might come to the state. We need to be ready to use those resources when they come and this structure gives the state the ability to do that.

The proposed substitute bill retains its focus on high-demand jobs, which is of critical importance. It also reduces the complexity in the access and eligibility process and allows

for not only continuation but growth of highly successful programs. It is concerning that the proposed substitute bill takes out language about mandatory coordination between the colleges and area WDC, as we want to assure a focus on meeting local demand. Though it is not currently a provision in this bill, the Association of Washington Business also cautions against the use of Unemployment Insurance for these types of training programs.

The changes in the substitute bill provide greater flexibility and make the bill more workable. In the WTECB's assessment of the WRP, we have found the program produces excellent results in earnings and employment rates and has proven a great investment for the state. It is important for the program to retain flexibility in local groups defining high demand so as to accommodate providing training for jobs available in the local economy. Students are in support of the bill with the proposed amendments. The streamlined marketing is great for students. There are some remaining concerns about stipulating only certain industries as priorities, since funneling students into selected programs reduces student choice. We would like to see the final bill retain flexibility for students.

There are some language changes that may be necessary to illustrate that apprenticeship is college. Changes should also include mention of pre-apprenticeship to help put students on that path. A reference to the state apprenticeship program should also be included on the "one-stop-shop" website. Concerns remain about removing the mandate for partnering at the local level as well as the reporting and accountability requirements.

This bill will increase access to higher education for low-income and moderate-income people. The outcome data for these programs, especially the Opportunity Grant program, is incredible especially considering the very disadvantaged populations the program serves. Completion rates are terrific and this program will go a long way in helping people in need. Right now the WRP is significantly oversubscribed and the SBCTC supports resources being provided. There is still some work to do with the proposed substitute to assure that schools retain the necessary flexibility to meet local student and employer demand. The mandated collaboration is not necessary, as the program really does this already. Given high levels of student demand, the programs should also not be made overly administratively burdensome. The stimulus money has not come quickly and we don't want to see the same thing happen with this program. The long-standing success of the program should speak for itself, partnerships between colleges and area WDC have been a part of the program from its inception and we should not change components unnecessarily.

Students who need to get back on track have found tremendous opportunity at the New Market Skill Center and the pre-apprenticeships offered there. If you cannot find a job, or if you need a second chance to make better choices, the programs supported by the New Market Skill Center and by Opportunity Grants provide the support we need to put together our futures.

(Opposed) None.

Persons Testifying: (In support) Representative Probst, prime sponsor; Dave Johnson, Washington State Building Construction and Trades Council; Amber Carter, Association of Washington Business; Maddy Thompson, Workforce Training and Education Coordinating Board; Marcus Sweetser, Washington Student Association; Tony Lee, Solid Ground -

Statewide Poverty Action Network; Jim Crabbe, State Board for Community and Technical Colleges; Jack Birmingham, Highline Community College; Gena Wikstrom, Northwest Career Colleges Federation; and Laurie Shannon, Amber Nicholas, Winter Lawson, and Daniel Villanueva, New Market Skills Center.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Higher Education. Signed by 10 members: Representatives Haigh, Chair; Probst, Vice Chair; Anderson, Carlyle, Hunter, Kagi, Maxwell, Quall, Rolfes and Wallace.

Minority Report: Do not pass. Signed by 4 members: Representatives Priest, Ranking Minority Member; Hope, Assistant Ranking Minority Member; Haler and Nealey.

Staff: Serah Stetson (786-7109).

Summary of Recommendation of Committee On Education Appropriations Compared to Recommendation of Committee On Higher Education:

Intent is expressed to empower employers to make voluntary donations and invest in training and education. The Legislature finds that it is especially important to prioritize the use of certain funds to make possible such investments in times of severe economic recession.

An unemployment tax credit is established in the 2010 and 2011 calendar years equal to 110 percent of an employer's voluntary contributions to the Opportunity Express Account, but not more than the amount of unemployment contributions attributable to the social cost factor rate. The tax credits for a calendar quarter are based on voluntary contributions for the same calendar quarter.

Credits taken by all employers may not exceed \$97,729,000. If all voluntary contributions exceed \$88,844,000, any excess must be transferred to the Unemployment Trust Fund (Fund). Up to \$88,844,000 may be used for the Worker Retraining, Opportunity Internship, and Opportunity Grant programs, and certain administrative costs. Additionally, in Fiscal Year 2011, for the payment of regular unemployment benefits, \$97,729,219 in Modernization Incentive Payment (Reed Act) funds be requisitioned first and other moneys in the Fund must be requisitioned second.

The reference to prioritizing funding to high-demand "industries" is removed and is replaced with a reference to prioritizing funding for "high-demand occupations in strategic industry clusters." Long-term care is added to the list of occupations to get priority receipt of funds for the Worker Retraining program. Additionally, the statutory reference to duties regarding the identification of industry clusters by the Department of Commerce is removed and is replaced with a reference to the Workforce Development Councils' obligations to develop local strategic plans regarding workforce development.

Training programs approved by the commissioner of the Employment Security Department and training programs administered by labor and management partnerships are added to the list of programs eligible to receive funding from the Opportunity Express Account. The State Board for Community and Technical Colleges is encouraged to advertise the availability of funding for these types of training programs should they choose to develop an Opportunity Express website.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This bill is the right thing to do although it's not an easy thing to do. The underlying bill takes three proven programs with a solid track record that do similar things for similar populations and coordinates them a little more and makes the intake a little easier for interested participants. The proposed second substitute bill adds the funding source. It's entirely up to each employer whether they want to contribute and if they do they get a credit on their unemployment taxes. This could be helpful to employers during a time when unemployment taxes are high. The tax credit is capped at \$98 million because other legislation is currently looking at changes that would result in the receipt of an additional \$98 million into the unemployment insurance system from the federal government. Usually these funds would go into administration, but because of the economic crisis, if there is a way to prioritize these funds towards training 22,000 people in high-demand careers, it's the right thing to do. This would be about a 20 percent increase in the total number of people in workforce training across the state. This is to help people that are down on their luck, can't find a job, and can't find the classes that they need to get back to school. This focuses on high-demand fields to prepare our economy to be more competitive.

The community and technical colleges (CTC) are currently seeing dislocated workers in unprecedented numbers. The Legislature currently provides funding for 6,200 full-time equivalent students (FTEs). The funding per FTE for this program has remained constant while tuition and fees have more than doubled. Current funding is insufficient. Enrollments this fall were up 70 percent year to year. The CTC's served over 9,000 FTEs in this program. The Governor's proposed budget adds funding for an additional 2,500 FTEs, but this is woefully inadequate for the amount of demand. The results speak for themselves. Job placement is over 80 percent coming out of the worker retraining program and there is 87 percent wage recovery for high-wage workers who are laid off and 118 percent recovery for those who are laid off out of low-income jobs. Over 25 percent of worker retraining enrollments are in business, 25 percent are in health care, 12 percent are in information technology, and the remainder across the board. Any and all resources, including this, can help to serve this demand.

There are over 40,000 workers in the aerospace industry. Right now, with the downturn, this bill would help the state prepare to grow this industry in the future. Because of the aging

workforce, there will be a loss of 5,000 to 6,000 workers in this industry with high competition from other states. This bill would be advantageous and stabilizing to the aerospace industry.

This is an innovative and out-of-the-box way to approach worker retraining that does not divert funds that would otherwise be used for unemployment benefits. This is funded appropriately and would be helpful and necessary. It addresses needs in the post-secondary system and in rural areas that are economically depressed. It also addresses the double crisis in health care in terms of unemployment and the loss for many of health care benefits. The pressures in the system are really heavy and there is a shortage of workers and the career ladder is frozen. A workforce that wants to be trained into healthcare positions combined with this bill creates that opportunity and helps to immediately address the need in this industry. Nationally, it looks like there is a need for about one million people to fill some of the top long-term care and general health care jobs, and right now they are not jobs that people would want to get into. This bill is really exciting and is an opportunity to expand on the good work that has been done.

The best time to train workers is during a recession, so now is the best time. The Opportunity Grant program is unbelievably successful and has exceeded everyone's expectations. Anytime that there is the opportunity to get this kind of money outside of the General Fund-State for this kind of purpose, there is a need to overcome any challenges or technical problems with this bill to move forward.

(In support with concerns) Subsidization of workers in high-demand career fields has value. However, the passage of this bill would impact the viability and accuracy of several other bills before the Legislature this session that are based on the Unemployment Trust Fund (Fund) being whole. There would also be an impact from the increase of unemployment taxes that could affect the ability of employers to provide jobs and wages in industries already experiencing high unemployment.

(Opposed) There is no concern with the underlying bill, or the bill that was passed out of the Higher Education Committee. Unfortunately, the funding mechanism is an issue. This bill as written is a diversion of funds from the Fund. This would take \$98 million from the Fund and move it to another account. That would result in less money in the Fund, which in the out-years would cause a decline in the size of the Fund and an increase in unemployment taxes. This bill mixed with other bills before the Legislature could potentially address this program, but this bill in isolation would result in taxes going up.

In terms of administration, the capacity and ability of the ESD to implement this bill does not exist. This bill makes significant changes to the processes that employers use to pay their unemployment insurance taxes starting April 1, 2010. The system that the ESD uses to collect taxes has 14 different data bases and employers have five different ways that they can currently pay these taxes. This would take a significant amount of time to implement, although it's unclear what the cost or timeframe would be. Additionally, this bill could result in money owed to the federal government for the use of their system which would have to be negotiated. All of the costs associated with implementation of this program would have to be done with state dollars. There is also a possibility that the mechanism as drafted would be

out of conformity with federal law. This would put the state at risk for hundreds of millions of tax dollars that employers receive.

Persons Testifying: (In support) Representative Probst, prime sponsor; Jim Crabbe, State Board for Community and Technical Colleges; Linda Lahan, Aerospace Futures Alliance; Trent House, Boeing Corporation; Bob Guenther, International Brotherhood of Electrical Workers; Tom Lopp, Office of the Superintendent of Public Instruction; Sam Shaddox, Washington Student Association; Ellie Menzies, Service Employees International Union 1999 Northwest; Tony Lee, Solid Ground; and Misha Werschkul, Service Employees International Union 775 Northwest.

(In support with concerns) Dave Johnson, Washington State Building and Construction Trades Council.

(Opposed) Joel Sacks, Employment Security Department.

Persons Signed In To Testify But Not Testifying: None.