

HOUSE BILL REPORT

SSB 5048

As Reported by House Committee On:
Community & Economic Development & Trade
Education Appropriations

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

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

Sponsors: Senate Committee on Higher Education & Workforce Development (originally sponsored by Senators Kilmer, Kastama, Schoesler, Shin, Delvin, Kauffman, King and Pridemore; by request of Workforce Training and Education Coordinating Board).

Brief History:

Committee Activity:

Community & Economic Development & Trade: 3/16/09, 3/19/09 [DPA];
Education Appropriations: 3/26/09 [DPA(CEDT)].

**Brief Summary of Substitute Bill
(As Amended by House)**

- 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.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

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: Do pass as amended. Signed by 7 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Parker, Probst and Sullivan.

Staff: Meg Van Schoorl (786-7105)

Background:

Direction to Coordinate Workforce and Economic Development.

The Next Washington (2007) is a strategic plan for growing jobs and income in a global economy. It calls for improved partnerships among workforce and economic development efforts at the state and regional levels. To help implement *The Next Washington* strategies, Governor Gregoire directed the Workforce Training and Education Coordinating Board (WTB), the Department of Community, Trade and Economic Development (DCTED), and the Washington Economic Development Commission (Commission) to develop a plan to improve coordination, with a special emphasis on assistance to key industry clusters.

State and Local Workforce and Economic Development Organizations.

- *The WTB* provides planning, coordination, evaluation, monitoring, and policy analysis for the state workforce training system as a whole.
- *The 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* (ESD), 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* (SBCTC) 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 Commission* is responsible for planning, coordination, evaluation, policy analysis, and recommending improvements to the state's economic development system.
- *Workforce development councils* (WDCs) 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* (ADOs) are private, non-profit corporations that serve as the lead agency in each county for economic development. The ADOs are designated by the board of county commissioners or the county council. There are 34 ADOs statewide. They deliver direct assistance to companies, and act as on-the-ground partners with the state to recruit, expand, and retain businesses.

Sectors and Clusters.

In *Skills for the Next Washington* (2008), the WTB described and differentiated 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 input – 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 County, and software east of Lake Washington.

Summary of Amended Bill:

An “industry cluster” is defined as a geographic concentration of inter-connected companies in a single industry, related businesses in other industries, including suppliers and customers, and associated institutions, including government and education.

The WTB must work with the DCTED and the 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. 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; and 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 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 that meet certain criteria.

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, in consultation with business, industry, labor, certain state agencies, and educational institutions, designate and fund new and existing centers of excellence on a competitive basis. Priority 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 WDC 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 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.

The ADOs are required to participate in coordinated regional planning efforts with the WDCs, 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.

Amended Bill Compared to Original Bill:

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.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Placing the centers of excellence in statute and directing them to be designated and funded is recognition of their importance as a conduit between industry and education. 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 and coordinated direction. Business has had an active involvement with this effort. There are so many agencies in the state involved with economic and workforce development that it makes sense to direct coordination. Flexibility and responsiveness by workforce and economic development organizations are needed to support the evolving needs of industry clusters and employers.

(Opposed) None.

Persons Testifying: Senator Kilmer, prime sponsor; Amy Smith-Rubeck, State Board for Community and Technical Colleges; Amber Carter, Association of Washington Business; and Carolyn McKinnon, Workforce Training Board.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Community & Economic Development & Trade. Signed by 12 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Hope, Assistant Ranking Minority Member; Carlyle, Cox, Haler, Hunter, Kagi, Probst, Quall, Rolfes and Wallace.

Minority Report: Without recommendation. Signed by 2 members: Representatives Priest, Ranking Minority Member; Anderson.

Staff: Debbie Driver (786-7143)

Summary of Recommendation of Committee On Education Appropriations Compared to Recommendation of Committee On Community & Economic Development & Trade:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Substitute Senate Bill 5408 improves coordination of workforce, economic development, and education activities in Washington. The bill is an important step in further coordinating workforce and economic development activities that are most likely to create jobs. The bill has no cost as it provides better alignment of existing planning activities.

(Opposed) None.

Persons Testifying: Bryan Wilson, Workforce Training and Education Coordinating Board.

Persons Signed In To Testify But Not Testifying: None.