

HOUSE BILL REPORT

SB 5731

As Reported by House Committee On:
Community Development & Housing

Title: An act relating to Washington manufacturing services.

Brief Description: Concerning Washington manufacturing services.

Sponsors: Senators Chase, Kastama, Shin and Conway.

Brief History:

Committee Activity:

Community Development & Housing: 3/10/11, 3/16/11 [DPA].

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

- Restricts Impact Washington from using more than 50 percent of its state funding to provide assistance to industry or cluster associations, networks, or consortia.
- Directs Impact Washington to collaborate with industry sector and cluster associations to inform import-impacted manufacturers about Trade Adjustment Assistance funding.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT & HOUSING

Majority Report: Do pass as amended. Signed by 9 members: Representatives Kenney, Chair; Finn, Vice Chair; Smith, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Maxwell, Ryu, Santos and Walsh.

Staff: Jennifer Thornton (786-7147).

Background:

Manufacturing.

Manufacturing is a major employer in Washington, employing 266,483 residents and accounting for 9.5 percent of all employment in the state between July 1, 2009 and June 30,

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.

2010, the most recent four quarters for which data are available. During the same time period, the average annual wage in manufacturing was \$64,063 compared to a statewide annual wage of \$47,670. Over the last seven years, the number of manufacturing jobs in Washington declined by more than 23,000.

Impact Washington.

Substitute House Bill 2726 of 2006 created Washington Manufacturing Services in statute. In 2010 Washington Manufacturing Services changed its name to Impact Washington. It is a nonprofit corporation whose mission is to strengthen manufacturing in Washington. By offering consulting services, training programs, educational and industry events and resources, Impact Washington focuses on helping manufacturers grow, increase profits, and develop staff in order to thrive and be globally competitive. Impact Washington is an affiliate of the Manufacturing Extension Partnership (MEP) program of the United States Department of Commerce's National Institute of Standards and Technology (NIST).

Impact Washington receives approximately \$2 million per year in funding from the federal government, and approximately \$200,000 annually from the state. Budget reductions decreased state funding to \$178,164 for fiscal year 2010 and to \$145,246 for fiscal year 2011. The remainder of Impact Washington's \$4 million annual budget comes from charging fees for services.

The NIST annually commissions an independent survey of MEP clients. The 2010 survey found the following results for Impact Washington's clients: increased sales of \$47,806,779; 150 jobs created; 410 jobs retained; decreased costs of \$12,127,512; and increased capital spending of \$18,576,608.

Trade Adjustment Assistance for Firms.

Trade Adjustment Assistance for Firms (TAAF) is a federal program that provides financial assistance to manufacturers affected by import competition. Sponsored by the United States Economic Development Administration (EDA), this cost-sharing federal assistance program helps pay for projects that improve manufacturers' competitiveness.

The TAAF offers import-impacted United States manufacturing companies 50/50 cost sharing of projects aimed at improving their competitive position. Specifically, these matching funds are applied toward the cost of consultants, engineers, designers, or industry experts for improvement projects in areas such as market development, manufacturing, engineering, information technology, quality, financial management, and general management. The TAAF pays for half of the cost of services for projects up to \$150,000, with a maximum TAAF share of \$75,000.

Firms work with one of 11 Trade Adjustment Assistance Centers (TAACs) that coordinate TAAF benefits. The TAACs are regional nonprofit organizations funded by the EDA. At no cost to the firm, the TAAC staff will provide technical assistance, determine if the firm meets the criteria for the program, and submit an application to the EDA on the firm's behalf.

Summary of Amended Bill:

Washington Manufacturing Services may be known as Impact Washington.

Impact Washington may not use more than 50 percent of its state funding to provide assistance to industry or cluster associations, networks, or consortia on specified topics that support the delivery of modernization services and training to small and midsize manufacturers.

Impact Washington is directed to collaborate with industry sector and cluster associations to provide information to import-impacted manufacturers about Trade Adjustment Assistance funding.

Amended Bill Compared to Original Bill:

The requirement that Impact Washington use a minimum of 50 percent of its state funds to assist industry or cluster associations, networks, or consortia in carrying out specific duties, is changed to require Impact Washington to use a maximum of 50 percent of its state funds for that purpose.

The amendment clarifies that Impact Washington is to provide information to manufacturers affected by import competition about trade adjustment assistance funding.

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) Last year, Washington Manufacturing Services changed its name to send a message that we are more than a firm that helps companies with process improvements. This changes it in statute. We have expanded our activities significantly to help small manufacturers. Through partnerships, we obtained a number of federal grants that we hope will help small businesses. We expect to help 35 small companies get into exports next year, and hope to get up to 100 the following year. We helped another company diversify with our Washington Grows program. We hope to help get the economy on track with more employment. This is part of a broader strategy for rebuilding the manufacturing base.

(Opposed) None.

Persons Testifying: Senator Chase, prime sponsor; and Ron Newbry, Impact Washington.

Persons Signed In To Testify But Not Testifying: None.