

HOUSE BILL REPORT

2SSB 5269

As Passed House - Amended:

April 6, 2023

Title: An act relating to transforming and growing Washington state manufacturing.

Brief Description: Concerning Washington state manufacturing.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Shewmake, Keiser, Nguyen, Randall, Valdez and Wellman).

Brief History:

Committee Activity:

Innovation, Community & Economic Development, & Veterans: 3/17/23, 3/24/23 [DP];

Appropriations: 4/1/23, 4/4/23 [DPA].

Floor Activity:

Passed House: 4/6/23, 95-2.

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

- Requires the Department of Commerce to: (1) perform an independent assessment of opportunities to capture new and emerging industries that align with statewide greenhouse gas reduction limits and strengthen the state's manufacturing base; (2) develop a state industrial strategy; and (3) appoint an industrial policy advisor.

HOUSE COMMITTEE ON INNOVATION, COMMUNITY & ECONOMIC DEVELOPMENT, & VETERANS

Majority Report: Do pass. Signed by 8 members: Representatives Ryu, Chair; Donaghy, Vice Chair; Rule, Vice Chair; Cortes, Paul, Senn, Shavers and Street.

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

Minority Report: Do not pass. Signed by 7 members: Representatives Volz, Ranking Minority Member; Barnard, Assistant Ranking Minority Member; Chambers, Christian, Corry, Waters and Ybarra.

Staff: Cassie Jones (786-7303).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 31 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

Staff: Jessica Van Horne (786-7288).

Background:

Department of Commerce.

The Department of Commerce (Commerce) is the lead state agency tasked with enhancing and promoting community and economic vitality in Washington. As the agency responsible for growing the state economy, it supports sector leads in areas such as aerospace, agriculture and food manufacturing, clean technology, information and communication technology, the creative economy, forest products, life sciences and biotechnology, maritime, and the military. Sector leads work closely with the Governor, industry heads, and government leaders to develop strategies to support business growth statewide.

The Washington BEST Manufacturing Act.

In 2021 the Legislature passed The Washington BEST Manufacturing Act (Act), which directed Commerce to develop a biennial report on the state of the manufacturing and research and development industry and workforce. The report must identify progress or challenges the state has encountered in achieving its manufacturing goals and identify recommendations. The Act required Commerce to establish a Manufacturing Council to advise and consult on the development of the biennial report and recommendations. The Act also established a workforce innovation sector lead within Commerce.

Summary of Amended Bill:

Commerce must perform an independent assessment of opportunities for Washington to capture new and emerging industries that align with statewide greenhouse gas reduction limits and strengthen its existing manufacturing base. The independent assessment must be submitted to the appropriate committees of the Legislature by October 1, 2024, and must also be submitted to the Manufacturing Council.

The independent assessment must include, but is not limited to:

- an assessment of how the transition to net zero emissions by 2050 will impact manufacturing in Washington;
- an assessment of the needs of the state's existing manufacturers;
- the identification of opportunities to build and maximize environmental and economic benefits of a circular economy in new and existing industries;
- the identification of requirements to attract new investment;
- the identification of opportunities to support minority- and women-owned firms, and small- and medium-sized firms in capturing new and emerging industries;
- the identification of existing and potential future gaps in the state's manufacturing sector that inhibit in-state manufacturers from creating the infrastructure and goods to transition to the net zero economy; and
- an evaluation of opportunities for the state's use of public ownership investment in developed and emerging manufacturing industries.

Commerce must use the independent assessment to develop a state industrial strategy by June 1, 2025. The state industrial strategy must seek to strengthen and transform Washington's existing manufacturing base and capture new and emerging industries. The industrial strategy should be informed by the independent assessment. The Manufacturing Council must advise and consult on the development of the industrial strategy.

Commerce must appoint an industrial policy advisor to ensure that Washington fully leverages available federal funding for manufacturing to meet the state's economic development goals and statutory greenhouse gas emissions reductions and guide implementation of state industrial strategy. The industrial policy advisor must:

- track federal and other funding opportunities to transform and strengthen existing Washington manufacturers and promote the growth of new and emerging industries;
- alert Washington manufacturers to relevant federal and other funding opportunities;
- support Washington manufacturers in applying for federal and other funding opportunities and in completing required reporting;
- work to ensure that Washington's pursuit of its manufacturing and greenhouse gas reduction goals are aligned and mutually reinforcing;
- foster interagency coordination and collaboration on manufacturing-related policymaking and activities;
- coordinate with the workforce innovation sector lead, particularly with respect to building the manufacturing workforce pipeline; and
- provide quarterly reports to the Manufacturing Council.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 6, 2023.

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

bill is passed.

Staff Summary of Public Testimony (Innovation, Community & Economic Development, & Veterans):

(In support) To preserve jobs in manufacturing, an analysis of the barriers and how to reduce them is needed. The barriers may include lack of electricity, broadband, or infrastructure. There are many opportunities and investments for green jobs and manufacturing. The economy will need to be smart and nimble to ensure access to supply chains and a trained workforce. This bill helps by creating a study to determine what is needed to increase investment in the state. To power the economy cleanly, there needs to be a rapid increase in the production of clean energy technology and low carbon materials. One of the best ways to do this would be to make these materials in Washington. This bill will help make sure the state does not lose future manufacturing opportunities by transforming and preserving the existing manufacturing base through a state industrial strategy.

Washington is committed to doubling its manufacturing base and reducing greenhouse gases, both critical goals for the environment and the economy. These goals should be addressed simultaneously to achieve success. This bill will address both goals by creating a state industrial policy. The additional capacity in Commerce will help the state take advantage of future federal funding opportunities for manufacturing. There is a need for small manufacturers to have a partner in the state to help them collect federal dollars that are tied to clean manufacturing. The dollars are tied to clean technology, so Washington will fall behind if it does not focus on clean technology.

(Opposed) None.

Staff Summary of Public Testimony (Appropriations):

(In support) The federal Inflation Reduction Act will invest billions of dollars into strengthening the industrial sector and help create thousands of high-quality jobs. This bill would complement that federal investment and ensure that the state is well positioned to acquire those funds. The bill will ensure that the state plans to both assist emerging manufacturing industries and support existing ones. The investments in this bill are both critical and smart, and will help secure Washington's workforce.

(Opposed) None.

(Other) This bill would complement the existing work of the State Manufacturing Council. There is rapid demand for manufacturing and industrial projects. This bill will ensure the Department of Commerce can meet that demand. It ties to federal investments in the manufacturing sector. Both the dedicated policy advisor and the independent assessment will be very valuable.

Persons Testifying (Innovation, Community & Economic Development, & Veterans): Senator Sharon Shewmake, prime sponsor; Todd Mitchell, Heat and Frost Insulators and Allied Workers Local 7; Robin Everett, Sierra Club; Jessica Koski, BlueGreen Alliance; and Stephanie Celt, Washington Department of Commerce.

Persons Testifying (Appropriations): (In support) John Traynor, Washington State Labor Council.

(Other) Chris Green, Department of Commerce.

Persons Signed In To Testify But Not Testifying (Innovation, Community & Economic Development, & Veterans): None.

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