

SENATE BILL REPORT

SB 5682

As of February 18, 2025

Title: An act relating to the Washington customized employment training program.

Brief Description: Concerning the Washington customized employment training program.

Sponsors: Senators Warnick and Hansen.

Brief History:

Committee Activity: Ways & Means: 2/18/25.

Brief Summary of Bill

- Extends the expiration date for the Washington Customized Employment Training Program business and occupation tax credit to July 1, 2031.
- Requires the State Board for Community and Technical Colleges to report certain data from the Washington Customized Employment Training Program to the Legislature.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Tianyi Lan (786-7432)

Background: Washington Customized Employment Workforce Training Program and Tax Credit. The Washington Customized Employment Workforce Training Program (program) and associated business and occupation (B&O) tax credit was created in 2006 for employers locating or expanding in the state. The expiration date of the program was set to 2012 but was extended in 2012 and then repealed in 2017. The expiration date of the B&O tax credit is extended twice and now expired on July 1, 2026.

The program awards training allowances to employers who have entered into training agreements with community and technical colleges in the state. Preference in granting

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training allowances is given to employers with fewer than 50 employees. At the completion of training, employers are required to pay one-quarter of the cost of the training into the Employment Training Finance Account (account). The additional three-quarters of the cost are to be paid into the account over the following 18 months. A B&O tax credit is provided to employers for half of the amount they pay into the account for employee training.

The employer must make good faith efforts to hire from trainees in the program, otherwise the employer is expected to make additional payments to the account. Colleges must make good faith efforts to use trainers preferred by employers participating in the program. The State Board for Community and Technical Colleges (SBCTC) administers the program. After a business makes a payment, the SBCTC notifies the Department of Revenue, which issues the B&O tax credit.

Tax Preference Statement. State law provides a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Legislation that establishes or expands a tax preference must include a tax preference performance statement that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after ten years unless an alternative expiration date is provided or the tax preference is exempted from expiration.

In 2021, the Legislature set a tax preference statement which establishes that the Legislature's public policy objective with the program is to provide customized training assistance that retains and expands existing businesses in Washington. If JLARC finds that 75 percent of the participating businesses complete the training and repay the customized employment training program loan, then the Legislature intends to extend the expiration date of the B&O tax credit.

JLARC published the final report of 2024 Tax Preference Review on December 2024 and concluded that the tax credit met the Legislature's target for continuation. As of December 2023, 77 percent of the loans were repaid on time and in full.

Summary of Bill: The program B&O tax credit for employers participating in the program is extended from July 1, 2026, to July 1, 2031. The bill also includes the tax preference statement for the extended B&O tax credit.

By December 31, 2028, the SBCTC shall submit a report to the higher education committees of the Legislature that provides the following information:

- the distribution of credit eligibility by county;
- the distribution of qualified training institutions that provided trainings under the program by county; and
- efforts taken to encourage use of the credit by a greater variety of industries and

participation of a greater variety of qualified training institutions.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill helps continue a successful existing program the legislative body created in 2006. The program is a tool for helping businesses adjust to market and technology changes so they can keep well-paying jobs here in Washington. The first part of the program is a revolving loan fund of \$330,000 the state board administers in terms of contracts, partnerships between the board, a college and a business to provide the customized training. The board pays for the training upfront. As the business finishes the training, they repay into the fund to be eligible for 50 percent of the repayments as a business and occupation tax credit.

From a perspective of employers, a key objective is to fill the workforce and connect employees for a brighter future. Technical colleges help create a specialized curriculum tailored to the organizational needs. The program is instrumental in addressing critical skill gaps, enhancing efficiencies and preparing the team for sustainable growth. Providing specific custom training, including training supported by the customized training program help businesses adapt and thrive in a competitive environment. The program is an important part of the economic and workforce development toolkit.

Persons Testifying: PRO: Denise Shoot, Cannon Construction LLC; Donald Sosnowski, Clover Park Technical College; Carolyn McKinnon, State Board for Community and Technical Colleges.

Persons Signed In To Testify But Not Testifying: No one.