

HOUSE BILL REPORT

E2SHB 2318

As Passed House:

April 21, 2009

Title: An act relating to the aerospace workforce futures act.

Brief Description: Creating the Washington institute of aerospace technology and manufacturing studies.

Sponsors: House Committee on Ways & Means (originally sponsored by Representatives Sells, Ericks, Kenney, Liias, Simpson, Hope, McCoy, Conway and Roberts).

Brief History:

Committee Activity:

Higher Education: 3/27/09, 4/9/09 [DPS];

Ways & Means: 4/14/09, 4/18/09 [DP2S(w/o sub HE)].

Floor Activity

Passed House: 4/21/09, 86-9.

Brief Summary of Engrossed Second Substitute Bill

- Creates the Washington Institute for Aerospace Technology and Advanced Manufacturing.
- Charges the Institute with improving the state's aerospace training, education, research and development programs by coordinating, providing, and developing curriculum for a statewide consortium of schools and programs that provide aerospace education and training.
- Requires the Institute to submit preliminary and final reports to the Legislature and the Governor in 2010.
- Creates the Washington Aerospace Futures Account in the custody of the State Treasurer, from which the Governor may authorize expenditures for statewide aerospace workforce and industry development.
- Provides that, for fiscal years 2009-11, statewide aerospace workforce and industry development programs and activities shall be supported by federal Workforce Investment Act funds or other discretionary funds administered by the Governor.

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 9 members: Representatives Wallace, Chair; Sells, Vice Chair; Anderson, Ranking Minority Member; Carlyle, Driscoll, Grant-Herriot, Haler, Hasegawa and White.

Minority Report: Without recommendation. Signed by 2 members: Representatives Schmick, Assistant Ranking Minority Member; Angel.

Staff: Cece Clynch (786-7195)

HOUSE COMMITTEE ON WAYS & MEANS

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 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

Staff: Debbie Driver (786-7143)

Background:

Aerospace is Washington's largest manufacturing industry. In 2005, according to *The Washington Aerospace Industry*, a 2006 report by Conway Pederson Economics, Inc., the state's aerospace industry directly employed over 65,000 people and paid \$5.4 billion in total wages and salaries, for an average annual per capita wage of \$83,370. Aerospace manufacturing has a multiplier effect of two and one-half. For every aerospace job created, another one and one-half jobs are created elsewhere in the economy.

The aerospace industry has a presence in 17 out of the 39 counties, with the largest concentration of jobs in King and Snohomish counties. According to the Department of Community, Trade and Economic Development's (DCTED) March 2009 *Quarterly Trade Bulletin*, aerospace goods exports of \$33 billion were the single largest component of Washington's export portfolio in 2008. This was a 19 percent drop from a peak of \$41.8 billion in 2007. For 2008, China and Japan were the number one and two markets for aerospace goods from Washington.

Summary of Engrossed Second Substitute Bill:

The Legislature recognizes the critical importance of the aerospace industry to the state's economic vitality, accounting for over \$36 billion in economic value to Washington. With over 44 aerospace jobs per 1,000 workers, the state is the highest per capita aerospace employer. A highly skilled and highly educated workforce is key to continued vitality and growth of the technology-driven aerospace industry throughout the state.

Washington Institute for Aerospace Technology and Advanced Manufacturing.

The Washington Institute for Aerospace Technology and Advanced Manufacturing (Institute) is created for the purpose of improving the state's aerospace training, education, research, and development programs through coordination, provision, and development of curriculum for a statewide consortium of schools and programs that provide aerospace workforce education and training. Headquartered in Snohomish County, the Institute will be initially administered by the Edmonds Community College Board of Trustees.

The Institute is tasked with:

- integrating cutting edge research and development into the training and education of a skilled workforce;
- fostering the creation and retention of family wage jobs in the aerospace industry;
- facilitating growth and innovation in the aerospace industry throughout the state; and
- emphasizing public private partnerships and providing a forum for collaboration between and among the state's aerospace industry, labor, colleges and universities, the Workforce Training and Education Coordinating Board, innovation partnership zones, and other public and private entities.

By January 1, 2010, a joint preliminary report is due to the Governor and the Legislature from the Institute and the agency or entity designated by the Governor. The report must identify:

- the current existence and statewide distribution of education at the two- and four-year colleges and universities, research, and job skills programs that relate to the needs of the aerospace industry and its workers;
- existing programs that should be consolidated or expanded;
- new, innovative, and cutting edge programs that should be commenced;
- interested industry, labor, and education partners;
- funding for operation of the Institute; and
- a recommended governance structure.

By September 1, 2010, a joint final report is due which includes recommended legislation and budget requests that will enable the Institute to initiate its work in the 2011-13 biennium.

Washington Aerospace Futures Account.

The Washington Aerospace Futures Account (Account) is created in the custody of the State Treasurer. The Governor may authorize expenditures from the Account. Expenditures may be made only for purposes of statewide aerospace workforce and industry development, including programs and activities related to workforce training and education, research and development, and aerospace industry retention and expansion.

Federal Workforce Investment Act funds or other discretionary funds administered by the Governor shall be used to support such programs for fiscal years 2009 through 2011. These funds may be invested independently or may be used as match to leverage additional investment.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony (Higher Education):

(In support) A positive statement from the Legislature is needed regarding the aerospace industry in this state. This industry is the economic engine of the Puget Sound region and the state and must be kept here. This is true now more than ever. Washington has a higher concentration of aerospace workers than any other state. In Snohomish County, 25 percent of workers and 40 percent of wages are in aerospace. Statewide, the aerospace industry is present in 36 of the 39 counties. Other states and countries are trying to attract the aerospace industry. Kansas has spent \$52 million in local, state, and federal dollars. North Carolina, South Carolina, and Alabama have also created facilities and training centers and spent considerable money to attract the aerospace industry. North Carolina spent \$15 million from their tobacco fund and Alabama spent \$15-16 million on robotics plus another \$15 million next door. Washington has excellent training programs but coordination is fragmented and central coordination is necessary. Many of the current workers will be retiring in the next 15 years. A broader partnership will be fostered by locating the Institute in the innovation partnership zone (IPZ). The IPZ in Snohomish County did not receive capital funds as some other IPZs did. The breadth of the aerospace industry distinguishes this industry from others in the state. Although the Institute would be located in Snohomish County, it would benefit the entire state by training the trainers. There is a need for additional training programs, particularly in Snohomish County which is the largest convergence of aerospace industries in the world. A central facility is needed and statewide facilitation. Over at least the last 10 years there has been money spent trying to solve this problem but it hasn't worked. By providing training through the community colleges, workers across the state can gain access. All the equipment needs to be in one place. There should be reciprocity and a commitment by business to making well-paying jobs available upon the completion of training. With respect to the governance structure, all relevant voices need to be at the table. Relationship building is important.

(Opposed) None.

Staff Summary of Public Testimony (Ways & Means):

(In support) The Governor's Office supports the bill for several reasons: the Governor views the bill as a coordination function of research and development, as well as for education and training. The bill has an emergency clause because the Governor's Office still has \$450,000 that can be spent on the bill this fiscal year; and without that clause this money could not be spent. There are some high schools in the Renton and South Seattle area that are currently training in aeronautics and aerospace, but we will need to coordinate aerospace training much further across the state and plan for the required additional training measures. The intent is to use this fiscal year's \$450,000 to help community college training programs get started right away. In terms of shared goals between House Bill 2318 and House Bill 2308, there is a nexus between the Washington Council on Aerospace and the Washington Institute of Aerospace Technology and Advanced Manufacturing, and the reason the bills were not originally joined was likely due to bill titling issues.

This bill is compatible with HB 2308, and the Aerospace Futures Alliance's vision is to put together a coordination center that does not compete with any other training centers but simply augments existing training. This coordination center could also occur through Web classes, through one centralized workshop, or through employer training. The funding for such a center would come from a combination of workforce training funds and from employers, so the problems will not come from the operational side as much as on developing coordination. Edmonds Community College is the natural location for this coordination simply because that institution already has more aerospace training than anywhere else in the state. In terms of training, Washington is already behind other states such as Texas, Kansas and South Carolina – states that have spent more money on aerospace training. The issue is not trying to be at the forefront of the industry today; rather, it is about allowing the industry to grow rather than diminish, and to prepare workers for a future in which the aerospace industry is a higher priority.

The State Board for Community and Technical Colleges supports both HB 2318 and HB 2308. The Board believes it is ready to provide training and supports the coordination efforts identified in both of these bills.

(Opposed) None.

Persons Testifying (Higher Education): Representative Sells, prime sponsor; Jack Oharah and Jerilee Mosier, Edmonds Community College; Deborah Knutson, Economic Development Council of Snohomish County; Sub Ambler, Workforce Development Council Snohomish County; Linda Lanham and Mike Groesch, Aerospace Futures Alliance; Stan Sorscher, Society of Professional Engineer Employees in Aerospace and International Federation of Professional and Technical Engineers Local 2001; and Larry Brown, Aerospace Machinists Union.

Persons Testifying (Ways & Means): Representative Sells, prime sponsor; Representative Moeller; Marty Brown, Office of the Governor; Amy Smith-Rubeck, State Board for Community and Technical Colleges; and Mike Groesch, Aerospace Futures Alliance.

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

Persons Signed In To Testify But Not Testifying (Ways & Means): None.