



## State Board for Community and Technical Colleges (SBCTC)

Dear Mr. Konopaski,

Thank you for the opportunity to respond to the Joint Legislative Audit and Review Committee's Manufacturers' Deferral Tax Preference review.

The State Board for Community and Technical Colleges are in agreement with the [JLARC recommendations](#) provided by the Legislative Auditor. We support extending the tax deferral beyond January 1, 2026, to allow for additional projects, increased employment opportunities, and the continuation of resources directed to help meet the needs of our state's manufacturing sector through the development of educated and skilled workers. We also agree with the recommended modification to focus more on creating full-time permanent manufacturing jobs as a condition of participation. This would have the greatest immediate impact towards the overarching goal of "creating and retaining more manufacturing jobs".

The State Board for Community and Technical Colleges currently manages funding which provides support for increasing student enrollment capacity within the manufacturing and production sector. Our colleges also contribute to today's workforce through a diverse student population, with half being students of color. As our state's job outlook continues to improve and there is greater focus on the manufacturing sector, we are mobilizing resources to best assist our students to immediately engage in the labor market. In order to meet the project objective to support job readiness training, we agree with the final recommendation to directly appropriate resources for training to the State Board for Community and Technical Colleges. An annual allocation will allow us to serve more students and we will continue to use existing guidance and expertise from industry representatives serving on our advisory boards.

In preparation for the Citizen Commission meeting on September 9, please find the following additional information, in addition to our previous response, per the request of the Commissioners.

**Is there evidence that the tax preference achieved its purpose, as noted in the 2021 tax preferences reports?** The report indicates the tax deferral has not yet had impact on the increased creation and retention of manufacturing jobs. The deferred tax preference did incentivize business participation which resulted in the immediate creation of 20 FTE temporary construction jobs. Once tax repayment begins in December 2021, a portion will be made available for the State Board for Community and Technical Colleges to grant for the support of training activities creating skilled workers in the manufacturing and production sectors. Data currently projects the Washington Investment Fund pool initially at \$61,000 for FY 2022, peaking at \$325,000 in FY 2031, and declining thereafter until project completion in FY 2040. Using current cost models, the initial \$61,000 could support expanding student capacity by 7.5 annualized student FTE. At program peak, we could support an additional 40 annualized student FTE.

**Do you believe this preference provides benefits in addition to those stated in its intended or inferred purpose?** The model helps to increase public confidence by reinvesting tax resources for skill development and the creation of family wage jobs. It also confirms and raises awareness on the needs of industry and the importance of skilled workers in the manufacturing and production sectors in diverse areas of the state.

**Do you believe the taxes associated with any increased economic activity stimulated by this tax preference exceed the preference's loss of tax revenue?** Investing in higher levels of educational attainment for the development of skilled workers leading to living wage jobs, provides the basis for personal stability, faster economic growth, and ultimately increased tax revenue.

**Do you believe this preference has negative consequences? For example, were other industries, workers, or the environment harmed by activities stimulated by this tax preference?** There are no negative consequences that we are aware of, or foresee. We agree with the review and recommendation which cites a need for policy modification to place increased focus on requiring participants create permanent full-time manufacturing jobs as outcome, rather than the option of part-time temporary construction jobs. We encourage that in addition to the geographic diversity already present, we also incorporate goals to improve employment and training opportunities for diverse populations.

Sincerely,  
Jan



**Jan Yoshiwara**

**Executive Director**

Washington State Board for Community and Technical Colleges

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