

# Customized workforce training

24-05 FINAL REPORT | DECEMBER 2024

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## Legislative Auditor's conclusion

The B&O tax credit has met the Legislature's threshold for continuation. However, use has declined 86% from its peak, and the credit's effect on business retention and expansion is unclear.

## Key points

- The preference is a B&O tax credit that allows businesses to reduce costs for customized employee training by 50%.
- Use of both the training program and tax credit declined since 2018. It is unclear if the credit affected business retention or expansion.
- The tax credit met the Legislature's target for continuation. As of December 2023, 77% of the loans were repaid on time and in full. The rest are in active repayment.
- Credit use is concentrated in four counties and the manufacturing industry. Four schools conducted 81% of the trainings.
- The Legislative Auditor makes two recommendations: one to the Legislature and one to the State Board for Community and Technical Colleges (SBCTC).

### Earlier JLARC reviews

JLARC staff reviewed this preference in 2020. The 2021 Legislature extended the expiration date to July 1, 2026.

### 2020 review

## About this preference

**Estimated savings:** \$34,000 (2025-2027 biennium)

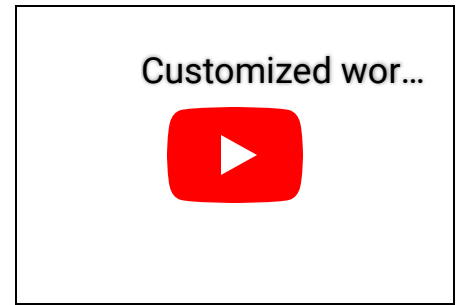
**Expiration date:** July 1, 2026

**Tax type:** Business and occupation (B&O) tax

**Applicable statute(s):** **RCW 82.04.449**

## Executive summary

The Legislature created the Customized Training Program (program) and associated business and occupation (B&O) tax credit in 2006.



## Preference reduces training costs by half

To receive the B&O tax credit, a business must work with its training institution partner to complete four steps:

1. Develop the training.
2. Apply to the State Board for Community and Technical Colleges (SBCTC) for funding. SBCTC pays for the training up front.
3. Complete the training.
4. Repay the SBCTC for the full cost of the training within 18 months.

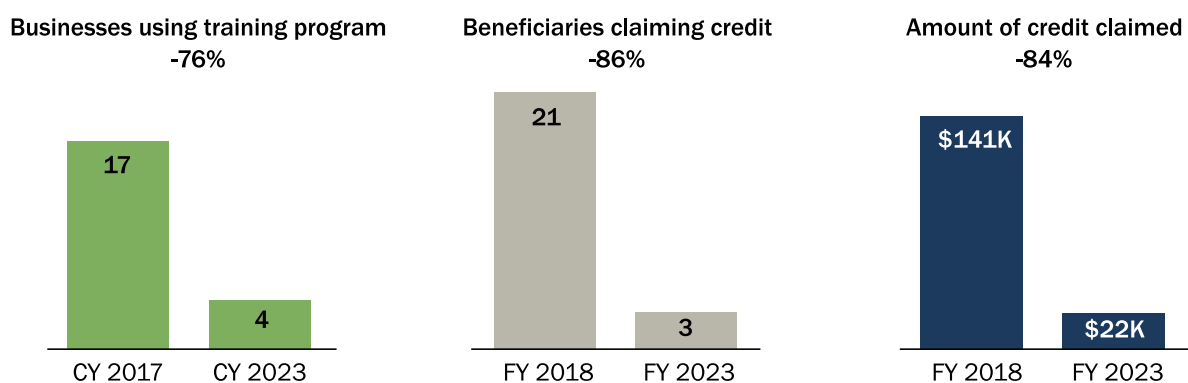
The business earns a tax credit for 50% of the amount it repays.

## Use of the training program and preference have declined

During the study period:

- The number of businesses using the training program fell 76%, from 17 in 2017 to four in 2023. Beneficiaries can claim the tax credit at any time after they repay the training cost.
- The number of beneficiaries fell 86%, from 21 in fiscal year 2018 to three in fiscal year 2023.
- The amount of credit beneficiaries claimed fell 84% from \$141,000 in fiscal year 2018 to \$22,000 in fiscal year 2023.

**Figure 1: Training program and preference use have declined**



Note: Fiscal year 2018 is 7/1/17 through 6/30/18 and fiscal year 2023 is 7/1/22 through 6/30/23

Source: JLARC staff analysis of training program applications and Department of Revenue confidential tax return detail

## Unclear if preference affected business retention or expansion

The 2021 Legislature stated the preference's objective: retain and expand existing Washington businesses. The evidence is insufficient to say if it has been achieved.

From 2018 through 2023, a total of 27 businesses used the training program, some more than once.

- All 27 businesses that used the preference in the last six years were still open as of December 31, 2023. However, there is no data to show whether their continued presence is due to the B&O tax credit.
- JLARC staff surveyed the businesses and six responded. Four businesses reported that they expanded their business, products, or services. All six said they would use the training program again. These results cannot be generalized to all beneficiaries.

## **Preference met the target for continuation**

In 2021, the Legislature extended the preference's expiration date to July 1, 2026. It also set a target: if 75% of participating businesses completed their training and repaid their loan, the expiration date should be extended.

The preference met the performance target. For the 31 loans:

- 24 were (77%) repaid in full and on time.
- 7 are in the statutory 18-month repayment timeframe.

## **Businesses are primarily manufacturers located in a few counties. Most trainings are done by four institutions.**

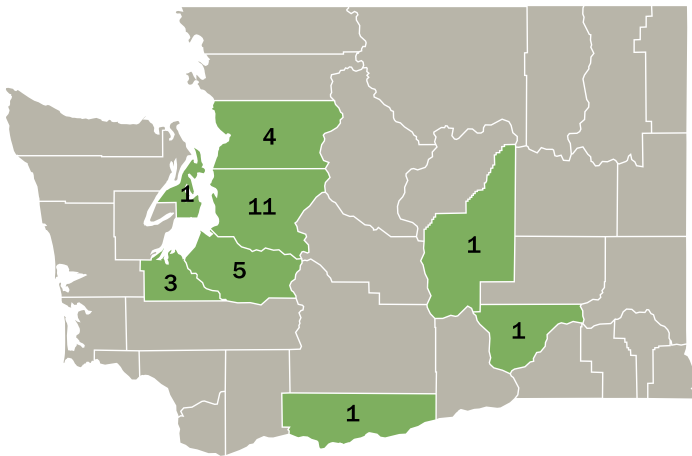
The training program is available statewide, but 23 of the 27 businesses (85%) were based in King, Pierce, Snohomish, or Thurston County. Also, 78% were manufacturers.

Since 2018, businesses provided 31 different trainings through the program. Four institutions conducted 25 (81%) of the trainings. They are in Pierce, Snohomish, and Clark counties.

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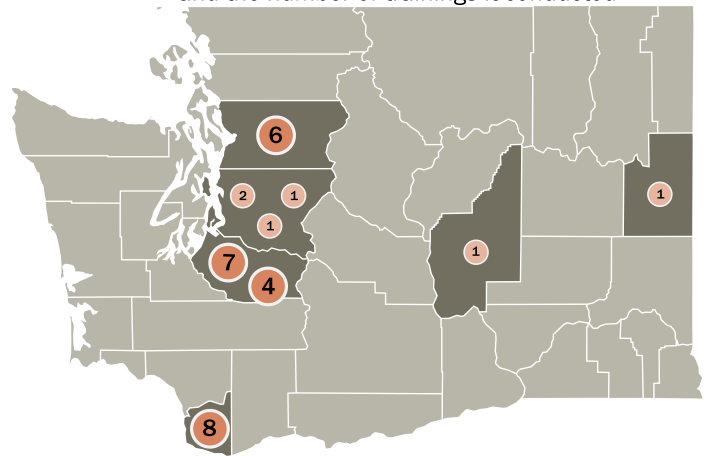
### **Figure 2: Businesses and training institutions are concentrated in a few counties**

Number of businesses per county



Training institutions (in orange) and trainings

Each dot represents one institution and the number of trainings it conducted



Source: JLARC staff analysis of training program applications and post-training reports

## Legislative Auditor's recommendations

1. The Legislature should extend the preference's July 1, 2026, expiration date.
  - The preference met the target metric that at least 75% of participating businesses complete their training and repay their loans to the SBCTC.
2. The SBCTC should determine how to increase training program and preference use.
  - The SBCTC should also report its implementation and progress to relevant legislative committees before the 2026 legislative session.

SBCTC concurs with the recommendations. You can find additional information in the [Recommendations section](#).

## Commissioner's Recommendations

1. Regarding recommendation #1: The commission endorses the Legislative Auditor's recommendation with comment. The Legislature may want to consider a capital injection into the revolving fund that supports this program.
2. Regarding recommendation #2: The commission endorses the Legislative Auditor's recommendation without comment.

## Committee action to distribute report

On December 4, 2024 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor recommendations.

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## Part 1.

### Tax credit

#### **Credit allows businesses to reduce costs for customized employee training by 50%**

Businesses that contract with the State Board for Community and Technical Colleges (SBCTC) to provide employee training through the Customized Training Program (program) may receive business and occupation (B&O) tax credit worth 50% of their training costs.

- The Legislature created the training program and the tax credit in 2006.
  - The 2017 Legislature repealed the program's expiration date.
  - The credit currently has a July 1, 2026, expiration date.
- In 2021, the Legislature set a public policy objective for the preference: provide training assistance to retain and expand existing Washington businesses.

#### **Businesses receive credit when they repay the cost of customized training**

A business must work with its training institution partner to complete four steps before the business receives a tax credit.

1. The business and training institution develop the training.
2. The training institution applies to the SBCTC for funding. SBCTC pays the cost of the training up front.
  - a. If approved, the course may be waitlisted if sufficient funds are not available.
3. The business and training institution complete the training.
4. The business repays the SBCTC for the full cost of the training.
  - a. 25% of the total cost is due upon completion of the training.
  - b. The remaining balance is due within 18 months.

#### **Training institutions**

Institutions must be in Washington and either a state community or technical college or a licensed private career school or college.

After a business makes a payment, the SBCTC notifies the Department of Revenue (DOR), which issues a B&O tax credit for 50% of the payment. The credits may then be used against a business’s B&O tax liability on tax returns.

The SBCTC pays for the program through a revolving loan fund. The Legislature made an initial appropriation. Since then, the fund has been replenished as businesses repay their loans. The maximum amount available from the fund is \$330,000. The actual amount available changes based on the amount of outstanding loans for training.

### **Businesses may use credit over multiple years**

Businesses can carry forward earned credit until it is used. The entire process from course development to tax credit use can take multiple years to complete.

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**Figure 3: The time between application and full repayment can extend two or more years**

| <b>CTP Process</b>                              | <b>Length of Time</b>  |
|---|--|
| <b>Application review and approval decision</b> | Approximately 30 days  |
| <b>Waiting list</b>                             | Up to 6 months   |
| <b>Training</b>                                 | Varies – From 1 to 16 months. 68% completed in 1 to 4 months |
| <b>Repayments</b>                               | Varies – up to 18-month limit                                |
| <b>Credit use</b>                               | No time limit once earned                                    |

Note: Training time estimate is based on 2018-2023 data

Source: SBCTC and RCW 82.04.449

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## **Part 2.**

### **Credit use**

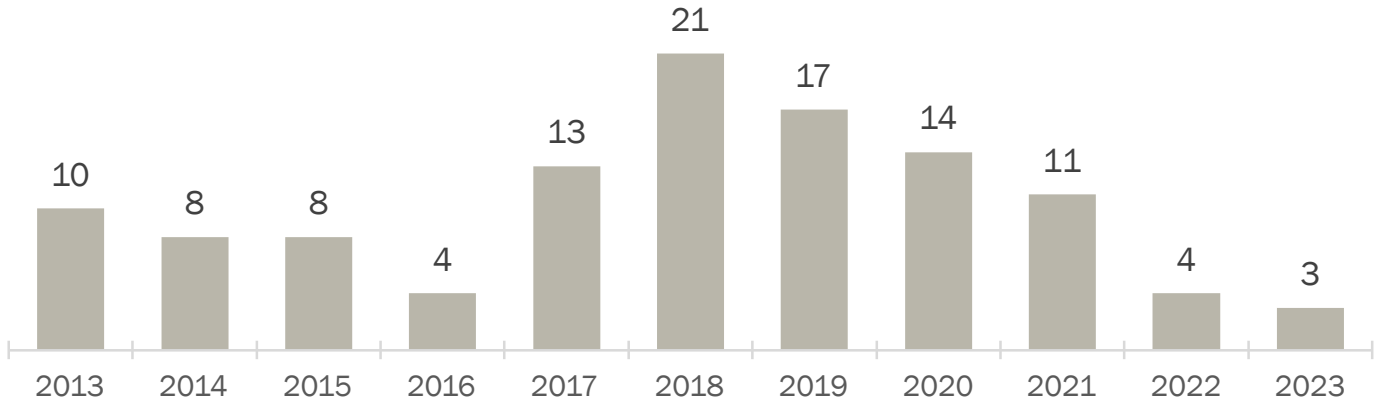
#### **Number of beneficiaries has declined since peak in 2018**

Over the last decade, the number of beneficiaries varied. As shown in the graph:

- In the five years that precede the current study period, the number of businesses varied, showing growth between 2016 and 2018.

- The number of businesses using the credit reached a high of 21 in 2018 and has steadily declined since. It reached a low in 2023 with only three beneficiaries.

**Figure 4: Number of beneficiaries using tax credit peaked in fiscal year 2018**



Source: JLARC staff analysis of DOR confidential tax return detail, fiscal years 2013-2023

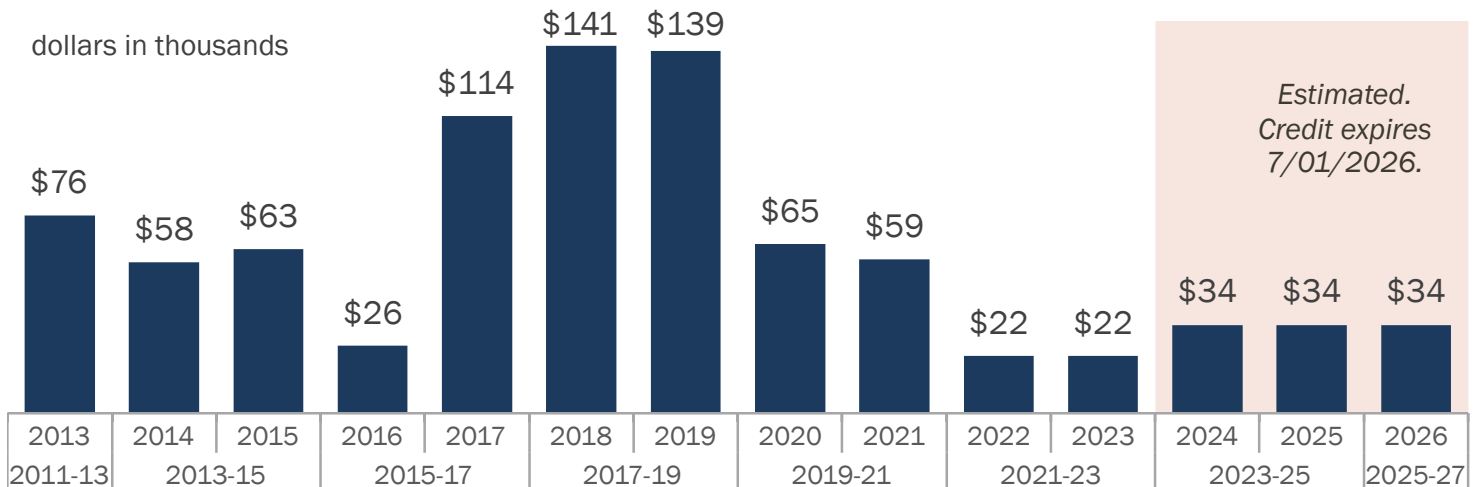
Businesses may claim credit over several years. DOR tax return data shows 37 distinct businesses claimed the credit at least once from fiscal year 2018 through 2023 (the current study period). Some of these businesses used credit that they earned before 2018.

### Beneficiary savings have declined since peak in 2018

From fiscal year 2018 through 2023, beneficiaries saved a total of \$448,000. The total amount of tax credit claimed by beneficiaries decreased each year. In fiscal year 2023, it reached its lowest point in the past 11 years.

JLARC staff estimate the beneficiary savings for the 2025-27 biennium will be \$34,000, assuming the credit expires as scheduled on July 1, 2026. This figure reflects average use in the last three fiscal years.

**Figure 5: Beneficiary savings peaked in fiscal year 2018 and fell to the lowest level in fiscal year 2023**



Note: Estimated future savings are based on the average credit claimed for the three-years since the Legislature extended the preference (fiscal years 2021-23)

Source: JLARC staff analysis of DOR confidential tax return detail, fiscal years 2013-2023

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## **Annual Tax Performance Reports supply more information about credit use**

Businesses that use the tax credit must file an Annual Tax Performance Report (ATPR) with DOR to receive the full value of the credit.

**Appendix A** lists the business names and amount of credit claimed for calendar years 2018 through 2022. This information from the reports is publicly disclosable and is the most recent data available for this report. Detail provided in **Appendix A** differs from Figures 4 and 5 because it is based on calendar year reports and some businesses did not file a report as required.

## **Part 3.**

### **Performance goals**

From calendar year 2018 through 2023, 27 businesses used the program to conduct 31 trainings.

- Some also used the tax credit they earned. They are included in the data shown in Part 2.
- Others have not yet used the full amount of the tax credit.

The program applications and post-training reports they submitted to the SBCTC include details such as how long a business has operated in Washington.

### **Preference met the legislative target for continuation**

In 2021, the Legislature set a target for continuing the preference: at least 75% of participating businesses must complete their training and repay the loan within 18 months.

The preference met the performance target. For the 31 trainings completed as of December 31, 2023, businesses:

- Repaid 24 training loans in full and on time (77%).
- Are in the repayment period for 7 training loans.

### **Unclear if preference achieves the objective to retain and expand existing Washington businesses**



In 2021, the Legislature defined a public policy objective for the preference: provide training assistance to retain and expand existing Washington businesses.

While all 27 businesses were still open as of December 31, 2023, there is no data to show whether their continued presence in Washington was due to the B&O tax credit.

- According to the applications, 21 (78%) have been in business at least 11 years.
- None were new to Washington.

To learn more, JLARC staff surveyed businesses that used the program since fiscal year 2018. Six businesses responded.

- Four reported expanding their business and products or services after completing their training.
- Three reported adding jobs.
- Four reported keeping more than 75% of the employees trained through the program.
- All six reported they would offer more training through the program in the future.

The survey results are not representative of the larger beneficiary group or of the program in general. The evidence is not sufficient to determine if the preference achieved the Legislature's objective.

## Part 4.

### Program use

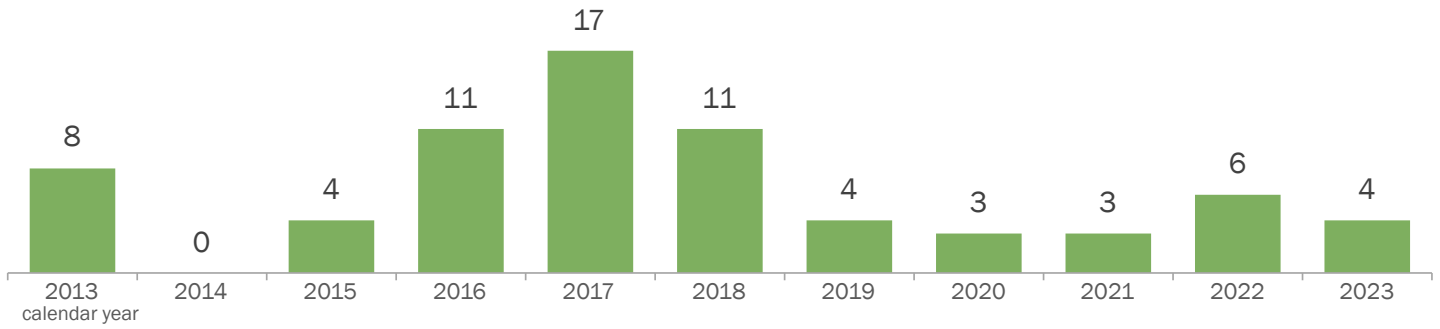
The program applications and post-training reports that businesses submit to the SBCTC include details such as total employees, employees trained, business location, training institution, and type of training provided.

#### **Number of businesses using the training program peaked in 2017 and has declined**

Training program use declined in recent years. The number of businesses starting training through the program fell 76% from 17 in 2017 to four in 2023.

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**Figure 6: The number of businesses using the program peaked in 2017**



Note: Year reflects when the business started the program with SBCTC. As noted in Part 1, completing the training and repayment can take multiple years

Source: JLARC staff analysis of program applications, calendar years 2013-2023

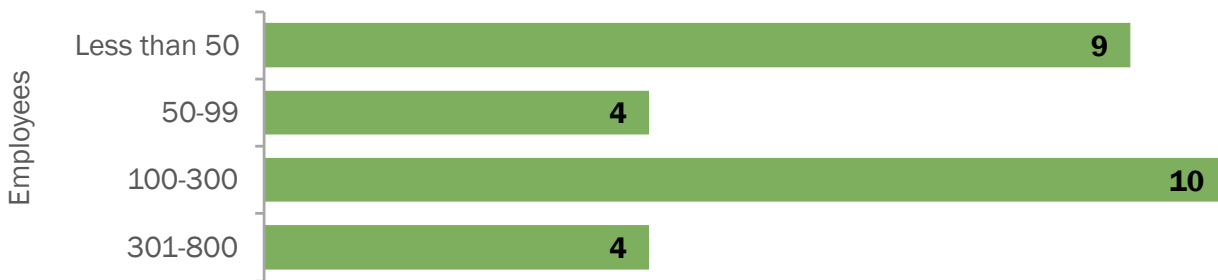
### **Participating businesses have similar locations and tend to be manufacturers. They employ fewer than 800 people each.**

The 27 businesses that used the program were in eight counties. However, 85% were based in either King, Pierce, Snohomish, or Thurston County. Just two were in Eastern Washington.

Most businesses (78%) were manufacturers. This is consistent with JLARC’s 2020 report, which found 73% of participants were manufacturers.

Statute says that the SBCTC should prioritize trainings for businesses with fewer than 50 employees. However, the agency said it offers the program on a first-come, first-served basis as it receives applications. It also noted that due to the small number of applicants, it has not had to prioritize small businesses when approving training contracts. It would apply the prioritization only if it received two applications simultaneously, which has never occurred.

**Figure 7: Businesses applying for the program during 2018-2023 had fewer than 800 employees**



Source: JLARC staff analysis of SBCTC program applications

### **Four schools in three counties provided most trainings**

The businesses provided 31 employee trainings through the program. While most did one training each, one business contracted for three different trainings and two others contracted for two each. The average cost per

training was \$30,000, and 81% were done at one of four schools.

**Figure 8: Four training institutions offered 25 (81%) of the trainings**

| Schools                                     | Counties             | Trainings |
|---|----------------------|-----------|
| <b>College of Electronic Manufacturing*</b> | Clark                | 8         |
| <b>Invista Performance Solution**</b>       | Pierce               | 7         |
| <b>Everett Community College</b>            | Snohomish            | 6         |
| <b>Clover Park Technical College</b>        | Pierce               | 4         |
| <b>Five others</b>                          | King, Grant, Spokane | 6         |

\* The College of Electronic Manufacturing travels onsite to employer locations. It provides specialized soldering and related training.

\*\* This was a consortium consisting of Pierce College, Clover Park Technical College, and Tacoma Community College. According to the SBCTC, the partnership has since ended.

Combined, the businesses trained 650 employees. The employees held a variety of positions, from managers and supervisors to production, sales, and administrative staff.

The 31 trainings covered a variety of topics. JLARC staff categorized them into three general types:

- 47% - Process improvement/LEAN training (e.g., process examination and revision, communications improvement).
- 31% - Certificated trainings (e.g., soldering, welding).
- 22% - Industry-specific trainings (e.g., food safety, geometric dimensioning, certain software programs).

## **Race and ethnicity characteristics for beneficiary businesses not available**

Neither the SBCTC nor the training institutions collect detail on the race or ethnicity of businesses or the employees who were trained. JLARC staff tried several different strategies to determine the race and ethnicity characteristics of businesses or the trainees, as detailed below.

- None of the beneficiary businesses are registered with the Washington Office of Minority and Women's Business Enterprises.
- In 2022, DOR began asking preference beneficiaries to report the race and ethnicity of their employees on the ATPR. JLARC staff cannot report detail on this data because taxpayer confidentiality restrictions prohibit disclosure of taxpayer information when there are three or fewer beneficiaries.

- JLARC staff surveyed businesses that used the program and received six responses:
  - Six responded that they were not minority-owned or women-owned.
  - Five of the six gave partial detail about race and ethnicity. However, it was not consistently reported and cannot be generalized to the larger group of beneficiaries.

## The customized training program is the smaller of two SBCTC-sponsored employee training programs

In addition to the Customized Training Program, the SBCTC administers the Job Skills Program (JSP). Both programs allow businesses to design and tailor trainings for employees.

Statute assigns the JSP a specific purpose: enhance economic growth and employment in areas of high unemployment and poverty. The SBCTC notes that training institutions more often refer businesses to the JSP than to the Customized Training Program. The Legislature increased funding for the JSP from \$5.45 million in 2019 to \$15.45 million in 2021.

The programs also differ in sources of funding and repayment requirements, as shown in the table below.

**Appendix B** includes information about other employee training programs in Washington.

**Figure 9: Job Skills and Customized Training programs differ in funding sources, funding levels, and application process**

| <b>Program Detail</b> | <b>Job Skills Program</b>  | <b>Customized Training Program</b>   |
|-----------------------|--|--|
| <b>Funding source</b> | Education Legacy Trust Account (appropriated)<br>General Fund – State (appropriated)                                     | Employment Training Finance Account (revolving fund)   |
| <b>Fund maximum</b>   | \$15.45 million per biennium   | \$330,000  |
| <b>Availability</b>   | Fiscal year 2024 allocation was fully committed before 7/01/2023<br><br>Fiscal year 2025 applications were due 5/16/2024 | Ongoing.<br><br>Each business repays their loan and replenishes the revolving fund over an 18-month period |
| <b>Award process</b>  | Competitive grants   | Ongoing application cycle<br><br>First-come, first-served  |

**Program  
Detail**

**Job Skills Program**

**Customized Training Program**

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|                |   |  |
|----------------|---|--|
| <b>Funding</b> | Grants awarded for 50% of training cost<br><br>Business provides 50% of cost as cash or in-kind match; in-kind includes the wages and benefits paid to employees while they are in training | Interest-free loan that must be repaid within 18 months after training completed<br><br>50% of the repaid amount is returned to the business as a B&O tax credit |
|----------------|---|--|

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Source: JLARC staff analysis of SBCTC interviews and publicly available documents

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## Recommendations

The Legislative Auditor makes one recommendation to the Legislature and one recommendation to the SBCTC.

**Recommendation #1:  
Legislative Auditor’s recommendation to the Legislature**

The Legislature should extend the preference's July 1, 2026, expiration date. The preference met the target that at least 75% of participating businesses complete their training and repay their loans to the SBCTC.

**Legislation Required:** Yes.

**Fiscal Impact:** Yes.

**Implementation Date:** Depends on legislative action.

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**Recommendation #2:  
Legislative Auditor’s recommendation to SBCTC**

The SBCTC should determine how to increase training program and preference use. This might include:

- Broadening use of the credit beyond the four counties where most of the beneficiaries are located and the four institutions that have to date provided most trainings.

- Encouraging use of the credit by more industries.

The SBCTC should also report its implementation and progress to relevant legislative committees before the 2026 legislative session.

**Legislation Required:** No.

**Fiscal Impact:** JLARC staff assume the work can be completed within existing resources.

**Implementation Date:** December 31, 2025.

**Agency Response:** **SBCTC** concurs.

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## Commissioners' Recommendation

### Regarding recommendation #1:

The commission endorses the Legislative Auditor's recommendation with comment. The Legislature may want to consider a capital injection into the revolving fund that supports this program.

### Regarding recommendation #2:

The commission endorses the Legislative Auditor's recommendation without comment.

## Agency Response

SBCTC concurs with the recommendations. See [attached letter \(PDF\)](#).

The Office of Financial Management (OFM) and the Department of Revenue (DOR) were given an opportunity to comment on this report. They responded that they do not have any comments. See [attached letter \(PDF\)](#).

## Current Recommendation Status

JLARC staff follow up on the status of Legislative Auditor recommendations to agencies and the Legislature for four years. The most recent responses from agencies and status of the recommendations in this report can be viewed on our [Legislative Auditor Recommendations page](#).

# Appendices

**Appendix A: Beneficiaries and credit amounts claimed, CY 2018-2022** | **Appendix B: Other Washington employee training programs** | **Appendix C: Applicable statutes** | **Appendix D: Study questions & methods** | **Appendix E: Audit authority** | **Appendix F: Study process**

## Appendix A: Beneficiaries and credit amounts claimed, CY 2018-2022

Businesses that use the preference are required to report the value of their B&O tax credit on a calendar year basis. This information is publicly available on DOR's web site. At the time this review was finalized, detail was available through 2022. Thirty businesses filed a report. This is less than the total number of businesses that claimed the credit due to:

1. The difference in time between calendar years and fiscal years.
2. Some businesses that claim a credit on their tax return may not file an ATPR as statutorily required. Consistent with RCW 82.32.534 (4), these businesses are penalized, but still receive some portion of the tax credit earned from repaying their loan.

As demonstrated below, it takes some businesses more than one year to use their credit, depending on the B&O tax liability and the amount of credit they receive for their loan repayments.

**Figure 10: Beneficiary businesses and calendar year tax savings, as detailed through Department of Revenue ATPRs, calendar years 2018-2022**

| Business Name                          | CY 2018  | CY 2019  | CY 2020  | CY2021 | CY 2022 | Total    |
|--|----------|----------|----------|--------|---------|----------|
| <b>AGC Biologics, Inc.</b>             | \$19,800 |          |          |        |         | \$19,800 |
| <b>Astareal, Inc.</b>                  | \$1,069  | \$1,959  | \$1,247  |        |         | \$4,275  |
| <b>Cascade Coffee LLC</b>              | \$3,765  |          |          |        |         | \$3,765  |
| <b>Crane Electronics, Inc.</b>         | \$7,146  | \$1,881  |          |        |         | \$9,027  |
| <b>EKOS Corporation</b>                |          |          | \$8,502  |        |         | \$8,502  |
| <b>Financial Pacific Leasing, Inc.</b> | \$2,730  |          |          |        |         | \$2,730  |
| <b>Grant County Hospital Dist 1</b>    |          | \$4,875  |          |        |         | \$4,875  |
| <b>Hill Aerosystems, Inc.</b>          | \$6      |          |          |        |         | \$6      |
| <b>Hy-Security Gate, Inc.</b>          |          | \$15,025 | \$14,630 |        |         | \$29,655 |

| <b>Business Name</b>                        | <b>CY 2018</b> | <b>CY 2019</b> | <b>CY 2020</b> | <b>CY2021</b> | <b>CY 2022</b> | <b>Total</b> |
|---|----------------|----------------|----------------|---------------|----------------|--------------|
| <b>I.S.S.C., Inc.</b>                       |                | \$6,708        | \$4,792        |               |                | \$11,500     |
| <b>IDD Aerospace Corp.</b>                  | \$17,416       | \$7,350        | \$2,069        |               |                | \$26,834     |
| <b>Jamco America, Inc.</b>                  | \$4,884        |                |                |               | \$6,899        | \$11,784     |
| <b>Kelly, Bridget Tyn Ellen</b>             |                | \$200          |                |               |                | \$200        |
| <b>Korry Electronics</b>                    | \$50,255       | \$17,500       | \$17,500       |               |                | \$85,255     |
| <b>Liquidplanner, Inc.</b>                  |                |                | \$77           |               |                | \$77         |
| <b>Moses Lake Industries, Inc.</b>          |                | \$13,900       |                |               |                | \$13,900     |
| <b>Onamac Industries, Inc.</b>              |                |                | \$394          | \$525         |                | \$919        |
| <b>Pacific Crest Industries, Inc.</b>       | \$12,615       | \$1,261        |                |               |                | \$13,876     |
| <b>Retail Association Services, Inc.</b>    |                |                |                |               | \$4,933        | \$4,933      |
| <b>Rite, Inc.</b>                           | \$3,000        |                |                |               |                | \$3,000      |
| <b>RPI Print, Inc.</b>                      | \$3,716        |                |                |               |                | \$3,716      |
| <b>Safe Boats International LLC</b>         |                | \$16,292       | \$4,792        |               |                | \$21,083     |
| <b>Schoeben &amp; Schoeben, Inc.</b>        | \$3,800        | \$483          |                |               |                | \$4,283      |
| <b>Seattle Espresso Machine Corporation</b> |                | \$7,178        | \$16,381       | \$2,142       |                | \$25,700     |
| <b>Senior Operations LLC</b>                |                |                | \$4,097        |               |                | \$4,097      |
| <b>SGL Carbon Fibers America LLC</b>        | \$2,500        |                |                |               |                | \$2,500      |
| <b>Shining Ocean, Inc.</b>                  | \$6,459        | \$4,614        |                |               |                | \$11,073     |
| <b>Sports Art America, Inc.</b>             | \$1,949        | \$2,162        | \$2,221        | \$939         |                | \$7,270      |
| <b>Technical Cable Applications, Inc.</b>   | \$6,551        | \$13,076       | \$9,373        | \$3,276       |                | \$32,276     |
| <b>Vigor Marine LLC</b>                     | \$8,750        |                |                |               |                | \$8,750      |
| <b>Total</b>                                | \$156,411      | \$114,464      | \$86,073       | \$6,881       | \$11,833       | \$375,662    |



## **Appendix B: Other Washington workforce training programs**

In addition to the Customized Training Program and the Job Skills Program, the SBCTC identified the following programs.

### **Washington registered apprenticeship**

Administered by the Department of Labor and Industries (L&I), registered apprenticeships combine classroom training (college credit courses) and paid on-the-job training and last one to five years. Apprentices are eligible for lower college tuition rates.

After successfully completing the program, apprentices earn a journey-level certificate of completion from L&I's Apprenticeship and Training Council. Several community and technical colleges throughout the state offer related supplemental instruction for registered apprenticeship programs.

### **Job readiness training**

WorkSource is a partnership of state and local government agencies (including the Employment Security Department), colleges, and nonprofit organizations that offer employment services for job seekers and businesses. About three dozen full-service WorkSource centers are open to the public across the state, plus several dozen satellite sites that offer a smaller array of services. Available services include:

- Assessments.
- Job listings, referrals and hiring events.
- Resume and application assistance.

Pre-apprenticeship (or “apprenticeship preparation”) programs offer another form of job readiness training as an on-ramp to registered apprenticeship programs (see above). These programs are offered by a variety of organizations, including community and technical colleges, public school districts, regional skills centers, labor unions, and nonprofits.

### **Workforce professional development**

Washington community and technical colleges offer non-credit, self-supported professional development through their **continuing education departments**. These offerings are available for public enrollment and by contract for corporate training. They also offer credit-bearing professional-technical programs that may be used for professional development.

Some colleges offer micro-credentials and micro-pathways that help people advance in their careers quickly, while also connecting to an educational pathway for further learning. This is an emerging instructional model.

The Worker Retraining Program provides access to training and funding to assist unemployed, dislocated, and at-risk workers upgrading their skills or training for a new career.

## Grants through Governor’s Strategic Reserve Fund

Originally, WorkStart was a separate program led by the Department of Commerce (Commerce) to provide workforce development grants funded through the Governor’s Strategic Reserve Fund (SRF). Commerce notes that since 2019, these grants no longer have the “WorkStart” designation and have been folded into the SRF program. Commerce continues to be the lead on SRF grants, which vary between \$2 million to \$5 million per biennium.

The type of projects funded through the SRF program between 2021 and 2023 include business retention and expansion, recruitment, and workforce development. Businesses receiving the grants were in sectors such as aerospace, food processing, and clean technology. The individual awards tend to be in the \$100,000 to \$350,000 range.

## Appendix C: Applicable statutes

|  |          |
|--|----------|
| <b>82.04.449   Credit—Washington customized employment training program—Report to the legislature.</b> | <b>+</b> |
| <b>28B.67.005   Findings—Intent.</b>   | <b>+</b> |
| <b>28B.67.010   Definitions.</b>   | <b>+</b> |
| <b>28B.67.020   Customized employment training program created—Applications—Criteria—Rules.</b>        | <b>+</b> |
| <b>28B.67.030   Employment training finance account.</b>   | <b>+</b> |
| <b>28B.67.900   Construction.</b>  | <b>+</b> |
| <b>28B.67.903   Effective date—2017 c 21.</b>  | <b>+</b> |

## Appendix D: Study questions

This study aimed to answer the following questions, which were presented to JLARC in November 2023 ([view here](#)).

1. To what extent have Washington businesses continued to use the customized workforce training credit since JLARC’s review in 2020?
  - a. How many and what types of businesses have applied for the credit? Where are beneficiary businesses located?
  - b. How many employees have been trained, and what types of training have been provided using the program?

- c. How long have beneficiary businesses been operating in Washington and have they expanded since completing the training?
2. What are the racial and ethnic characteristics of those who use the credit and the employees who are trained?
3. What percentage of businesses have completed the training and repaid the customized employment training program loan from the SBCTC?

## Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

## Appendix E: Audit authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit

objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

## **Appendix F: Study process**

View guide to JLARC Tax Preference Reviews [here](#).

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### **JLARC members on publication date**

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