Thank you for this opportunity to speak on this issue, which is so very important to our state's future.

My name is Jon Holden and I am the president and directing business representative at Machinists Union District Lodge 751 in Seattle. I speak on behalf of more than 33,000 working men and women in Washington state, including more than 30,000 aerospace workers at Boeing, and at key aerospace suppliers like Triumph Composites in Spokane, Pexco in Union Gap, Hytek Finishes in Kent and AIM Aerospace in Sumner.

Our union believes that tax incentives can be an appropriate way to help grow aerospace jobs in Washington state. Our union members were here in Olympia to testify in support of the 2003 $3.2 billion aerospace tax incentive package and again in 2013 for the $8.7 billion extension approved in November – the largest state tax incentives packages in U.S. history.

I believe we must come up with a better method for evaluating the effectiveness the 2003 Project Olympus tax incentive package and ensure these incentives are actually delivering on the stated public policy objectives for our state.

In the July 2014 JLARC (pronounced Jay Lark) Preliminary Report on Tax Preference Performance Reviews, one of the public policy objectives for granting preferential tax rates in 10 separate aerospace sector categories is stated as, "providing jobs with good wages and benefits…" That objective is the reason our unions, SPEEA and the IAM, have supported these incentive packages.

When we passed the 2003 tax incentive package our aerospace industry was in the depths of a downturn resulting from the 9/11/2001 terrorist attacks. America was attacked using our own commercial aircraft. Our industry was devastated. In the JLARC report, it states Boeing announced it would lay off 30,000 employees. Those layoffs were terrible.

We believe these layoffs and the subsequent recovery of the commercial airplane market distorts the employment picture beyond our ability to truly evaluate the effectiveness of the 2003 tax incentive package. We do know those tax incentives were not effective enough to retain the jobs related to a 2nd 787 line which Boeing decided to place in South Carolina. And that's because there were no employment, wage or benefit standards that guaranteed the important investment by the citizens of this state would ever deliver what was promised.

Boeing suppliers laid off workers at a similar scale. As a result, Washington's aerospace workforce fell to its lowest level since the infamous Boeing Bust of 1970-71 that had everyone worried about who was going to be left to turn the lights off in Seattle.

We need a more robust method for evaluating the success of our state's past investment in aerospace tax breaks – as well as for determining whether our record $8.7 billion investment is delivering the right return on investment for the citizens of our state in the future. The Machinists Union believes the Legislature should act to ensure our tax incentives meet our public policy objectives previously stated **by creating jobs with good pay and benefits.**

The Machinists union is working with the engineers and technicians at SPEEA in an effort to suggest accountability measures to help our state achieve these goals. We believe we must add standards for the quantity of jobs, just as South Carolina has done in exchange for that state's much-lower tax incentives. Additionally we believe there should be a qualitative job standard for tax incentive eligibility. The law as it stands today allows companies to use our tax dollars to create poverty-wage jobs in our state. This degrades good-paying jobs held by citizens in the state – when jobs are subcontracted to companies who pay wages at or below the poverty line.

The average wage of our members at Boeing in 1983 was $12 an hour. Many of those same jobs are now performed by aerospace workers at subcontractors today, who now 30 years later, are still paying $12 an hour for that same work package.

When this happens, Washington citizens pay twice. Taxes are used to secure these jobs. However, instead of fueling the economy, those same jobs are draining valuable social programs when those employees must be subsidized through state-funded health care, food stamps, and free or reduced school lunches. In addition, there is a long-term negative impact on the community because all too many of these jobs do not provide retirement security. This process destroys the standard of living in our communities and this must be measured to evaluate whether the tax incentives are working.

The original 2003 Project Olympus tax incentives have been modified time and again for the benefit of aerospace companies. Going forward, we need to see the tax incentives contain language that specifcially defines measurable employment numbers as JLARC recommends. Our citizens also deserve to see those jobs created for the tax incentives have a wage and benefit requirement that set a standard you can raise a family on.

We look forward to talking with you about our ideas for ensuring we meet the public policy objectives in exchange for providing the preferential aerospace tax rates. But for today, I'd urge this committee to recommend these actions: We must have a better method of determining whether the aerospace tax incentives are working than simply comparing current employment with the near-record lows of 2003. We should take some simple steps to ensure that the job numbers being reported by companies taking state tax incentives are correct. Finally, we need to evaluate the economic impact to the community if the jobs created are low-wage jobs.

At this point in our state history, it's not enough for our Legislature to infer that tax incentives are working. We must have hard data that shows these investments of public dollars are working for the taxpayer and the public good, and not simply generating private gain.