SUBJECT: Establishing the Lone Star Workforce of the Future Fund

COMMITTEE: International Relations & Economic Development — committee substitute recommended

VOTE: 8 ayes — Button, Ordaz, Bumgarner, Clardy, Hayes, Meza, Plesa, Shine

0 nays

1 absent — Morales

WITNESSES: For — Joshua Boyce, Per Scholas, Inc.; Duane Reid Jr., Year Up (*Registered, but did not testify*: Eddie Solis, Abilene Chamber of Commerce; Mark Bell, Association of Electric Companies of Texas; Matthew Garcia, Dallas Regional Chamber; Larry Gonzales, Dell Technologies; Glen Austin, Greater Houston Partnership; Sarah Douglas, National Federation of Independent Business; Lucas Meyers, NRG Energy, Inc.; Servando Esparza, TechNet; Renzo Soto, Texas 2036; Tony Bennett, Texas Assn of Manufacturers; Sabrina Brown, Texas association of builders; Megan Mauro, Texas Association of Business; Justin Bragiel, Texas Hotel & Lodging Association; Carlton Schwab, Texas Economic Development Council; Travis Krogman, The Greater Austin Chamber of Commerce; Laura Atlas Kravitz, Texas Women's Foundation

Against — None

On — Mary York, Texas Workforce Commission

BACKGROUND: Some have suggested more should be done to ensure more Texans have the opportunity to be trained and equipped with the skills necessary to earn gainful employment and grow the Texas economy.

DIGEST: CSHB 1755 would establish the Lone Star Workforce of the Future Fund as a dedicated general revenue fund under the Texas Workforce Commission. The fund would be comprised of:

- any money appropriated by the Legislature for the fund;
- interest earned on the investment of money in the fund; and
- gifts, grants, and donations received for the fund.

The bill also would require the commission to establish the Lone Star Workforce of the Future Fund grant program to provide grants to public junior colleges, public technical institutes, and nonprofits that apply to the commission and satisfy certain eligibility requirements. The commission would award grants on the advice and recommendations of the advisory board.

Advisory board. An advisory board of education and workforce stakeholders would be created to assist the commission in administering the fund. The advisory board would be composed of six members serving two year terms, appointed as follows:

- one member appointed by the governor;
- one member appointed by the lieutenant governor;
- one member appointed by the speaker of the House;
- one member appointed by the Texas Higher Education Coordinating Board;
- one member appointed by the commission; and
- the chair of the commission, who would serve as the presiding officer.

The advisory board would be required to meet at least twice a calendar year to make recommendations on awarding grants.

Use of funds. The commission could only use money from the fund to award grants and to conduct, with a consortium of corporate partners identified by the commission as having available entry-level workforce demand, due diligence assessment reviews of entities receiving grants.

Grants. To be eligible to receive a grant, a public junior college, public technical institute, or nonprofit would be required to administer one or more performance-based workforce training programs that:

- led to skill development and experiences required for employment in high demand occupations in at least one career field identified as a high growth career filed by the commission, the Texas Workforce Investment Council, or the Tri-Agency Workforce initiative;
- were developed and provided based on consultation with employers hiring in high demand occupations;
- created pathways to employment for program participants; and
- were delivered through classroom-based or online instruction, work-based experiences internships, or apprenticeships, or through a combination of those methods.

Entities also would be required to demonstrate through third-party data successful outcomes in:

- recruiting local unemployed and underemployed individuals to participate in the training program;
- training individuals with skills needed to secure full-time employment paying at least a self-sufficient wage in the relevant job field; and
- placing individuals in employment in high demand occupations.

These entities also would be required to demonstrate the ability to attract at least 40 percent of the necessary funding for training programs from revenue streams other than state government funding and agree to:

- collaborate with the commission, corporate partners, and nonprofit educational partners to determine the training programs to be provided using grant money;
- secure support from local businesses to ensure alignment between training program offerings and in-demand skills;
- collaborate with certain stakeholders to make available developmental work-based experience;
- engage certain local stakeholders to assist with identifying and recruiting eligible training program participants;
- provide documentation to the commission describing training

program offerings, including verifying that the training would not be exclusive to a single corporate partner and would lead to skills transferable to similar employment opportunities in high demand occupations; and

- comply with additional grant conditions prescribed by commission rule, including performance benchmarks.

The amount of grant money awarded to an entity could not exceed $15,000 per training program participant.

An entity could only use grant money for:

- curriculum development;
- instructor fees and certifications;
- training materials;
- work-related expenses;
- work-based experience stipends;
- related wraparound services important to ensuring the success of training program participants; and
- administrative costs with only 10 percent of total grant money awarded used for this purpose.

Performance benchmarks. The commission would establish performance benchmarks for entities receiving grants. Benchmarks would include a requirement that an entity facilitated the successful transition of at least 50 percent of its training program participants from low-wage work or unemployment to full-time jobs offering a self-sufficient wage and opportunity for career mobility within six months of completion.

The commission would require reimbursement on a pro-rata basis by an entity that did not meet a performance benchmark.

An entity would not be required to comply with a performance benchmark if the entity's compliance was not possible because of an act of God, force majeure, or a similar cause not reasonably within the entity’s control.

Reporting requirements. The commission would require each entity receiving a grant to submit progress reports at least twice annually. Each progress report would be required to include the following relating to training programs funded by the grant:

- the number of participants;
- an update on progress toward performance benchmarks;
- a description of any key accomplishments, lessons learned, risks, or setbacks;
- an explanation of any material changes to the training program's work plan, team, or budget; and
- the amount of grant money spent during the reporting period.

Implementation. The commission would be required to adopt rules as soon as practicable following the effective date but no later than December 1, 2023.

The commission would not be required to implement certain provisions imposing a duty on the commission to take action unless money was specifically appropriated to the commission that fiscal year for that purpose. The commission could implement provisions to the extent other funding would allow them to. If the commission did not implement a mandatory provision in a state fiscal year, the commission would certify that fact with the Legislative Budget Board in the appropriations request and include a written estimate of the cost of implementing the provision in each year of that next state fiscal biennium. This section of the bill would expire September 1, 2027, and any duty suspended would become mandatory.

The bill would take effect September 1, 2023.

NOTES: The Legislative Budget Board estimates a negative impact of $360,230 through August 31, 2025.