

Texas Workforce Commission *Skills Development Fund*

Annual Report Fiscal Year 2006



— TEXAS —
WORKFORCE SOLUTIONS
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Skills Development Fund *Annual Report Fiscal Year 2006*

The Texas Workforce Commission recognizes the value of skills training to Texas employers. As economic development efforts become more influenced by a global economy, a well-trained workforce can be the pivotal factor between retaining and attracting businesses to Texas rather than losing jobs to other states or countries.

The Texas Workforce Commission's Skills Development Fund (SDF) is a key component of Texas' workforce and economic development strategy. The ongoing interest and support of the Governor and the Texas Legislature illustrate the importance of the SDF to Texas' economic development strategy.

The fund supports the growth of Texas businesses by helping Texas workers acquire new skills or upgrade existing skills to advance their careers. The concept is simple. A single business or consortium of businesses works with a community or technical college or the Texas Engineering Extension Service (TEEX) to develop customized training for their workforce to close existing skill gaps. SDF grants fund the training, the college administers the grant, and businesses create new jobs and improve the skills of their current workers to fit their needs.

Since its inception, the SDF has helped more than 2,800 employers create 61,134 jobs and upgraded the skills of 106,976 incumbent workers for a total of 168,110 workers trained.



Business and Education *as Partners*

Business participation is a vital component of the SDF program. A business, consortium of businesses, or trade union first identifies a training need and then partners with a public community or technical college or TEEEX to develop a project to fill that need. Businesses may target training to create new jobs or develop training to increase the skills of their existing employees. Once developed, the curriculum can be replicated to encourage the sharing of innovative training concepts and ensure the best value for Texas taxpayers.

The college provides assessment services, develops a customized curriculum, facilitates training, and administers the grant. In SDF projects, colleges may provide the training, broker relationships with other training providers or the training can be provided by the businesses themselves. Businesses also support the project with industry-related technical assistance or curricula and provide career opportunities and in many cases, wage gains for participating workers.

TWC strives to ensure that SDF resources are equitably distributed to all areas of the state to expand the state's capacity to respond to workforce needs. In Fiscal Year 2006 (FY 2006), projects represented both rural and urban areas across the state.

For FY 2006, the Texas Workforce Commission's Skills Development Fund:

- Served 125 businesses
- Supported the creation of 3,127 new jobs
- Retrained 10,963 current workers for existing jobs
- Received proposals for \$29,406,084 in SDF grants
- Awarded 31 SDF grants totaling \$10,384,566

Customized training resources are critical for the economic vitality of Texas. Since the fund's inception, business demand for SDF grants has exceeded funding levels by about a 4-to-1 ratio. In FY 2006, with an increase in the SDF appropriation, funding levels allowed for a 3-to-1 ratio for the first time. However, the training provided through the use of SDF grants is becoming more complex. Additionally, demand for customized training is expected to increase as Texas businesses strive to remain competitive in a global economy.

The SDF program has provided opportunities for businesses to increase their innovation and efficiency, as well as to bolster their competitiveness in the marketplace. At the same time, the program allows community and technical colleges to strengthen their curricula and bring the latest in industry-led creativity and innovation to training designs. These enhancements ensure that workers are prepared with the high level of skills needed for the current and future workplace.

Skills Spotlight:



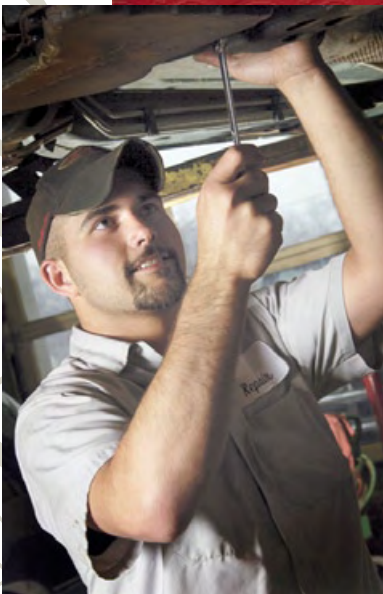
In Lewisville, Horizon Mental Health Management is opening a National Employee Assistance Psychiatric Call Center and centralizing its information technology operations. To accomplish these goals, Horizon collaborated with North Central Texas College to train 210 new workers and upgrade the skills of 240 existing workers for functions such as finance, management, human resources, network systems and data communications, operations, and sales and marketing. Training will provide advanced technology skills and technology certification to incumbent workers and prepare new workers to effectively navigate position demands. It also includes training in specialized software programs related to the health care industry. At the conclusion of the training – facilitated by a \$565,961 SDF grant – the trainees will receive an average hourly wage of \$37.11. “By making an investment in such a large number of high-skill, high-wage jobs, we are ensuring a foundation of future economic success in this region,” said state Rep. Myra Crownover. 🇹🇽


Economic Impact

Skills training can range from large urban employers in need of engineers to training for nurses desperately needed by a rural community. In FY 2006, TWC received 50 proposals and funded 31 grants involving 125 businesses and averaging \$384,614. SDF grants were instrumental in adding 3,127 new jobs and upgrading 10,963 current jobs to help Texas businesses compete.

TWC pays particular attention when awarding grants to ensure that, at the completion of training, wages are equal to or greater than the prevailing wage for the area. Statewide, the average wage paid to workers trained with SDF grants has increased from \$10.33 an hour in FY 1996 to \$19.22 in FY 2006. In addition, all of the 14,090 SDF trainees in FY 2006 are offered one or more benefit options, such as health insurance, workers' compensation, or 401(k) plans.

Skills Spotlight:



The Southeast Texas area workforce will benefit from job-training grants totaling more than \$350,000. Lamar State College-Orange has partnered with DuPont Sabine Riverworks (SRW) and INVISTA Sabine Riverworks (SRW) for the grants. The grants will be used upgrade the skills of 300 operating and mechanical technicians at DuPont, paying an average hourly wage of \$27.94 upon completion of training. The skills of 150 process operators at INVISTA will be upgraded paying an average hourly wage of \$28 upon completion of training. “Skills Development grants contribute to our local economic development by providing employers customized training for their workforce and giving workers the skills they need to remain competitive in the workplace,” said state Sen. Tommy Williams. 

Job Growth and Job Retention

While TWC has a shared responsibility with education to ensure a strong workforce pipeline, Texas businesses cannot wait for the next generation of graduates. The Texas workforce system continually engages business to identify their current unmet skill demands and emerging skill needs. SDF grants support job growth and job retention opportunities throughout the state.

In the middle of the 2006 contract year, the Commission adopted a new rule that sets a goal of allocating 40 percent of SDF funds to new job creation and 60 percent of SDF funds toward incumbent worker training. This new focus required a shift in priorities – as many proposals for the year had already been submitted – but we are already making progress toward the target.

Skills Spotlight:

Humco Holding Group, a Texarkana company that has manufactured over-the-counter pharmaceuticals since 1872, is working with its Local Workforce Development Board and economic development entities



to expand its product line, upgrade workers' skills, hire new workers, and add new facilities. To that end, TWC has provided Texarkana College with a \$231,000 grant to upgrade current workers' skills and to train on new production equipment and quality control measures. This project will train 19 new workers and upgrade the skills of 103 current workers – at an average hourly wage of \$15.52 – and

lead to several American Society of Quality certifications for engineers, chemists, managers, and technicians. 

High-Growth, High-Demand Industries


A business-driven workforce system requires strategic investments that leverage resources to increase the returns on those investments. TWC invests training resources to develop the skills and competencies necessary to meet industry demands and ensure a steady pipeline of qualified, job-ready workers.

The Texas workforce system strives to be the first place businesses go for workforce solutions. TWC focuses businesses within high-growth, high-demand industry sectors and actively works to address the training needs in these sectors.

Skills Spotlight:

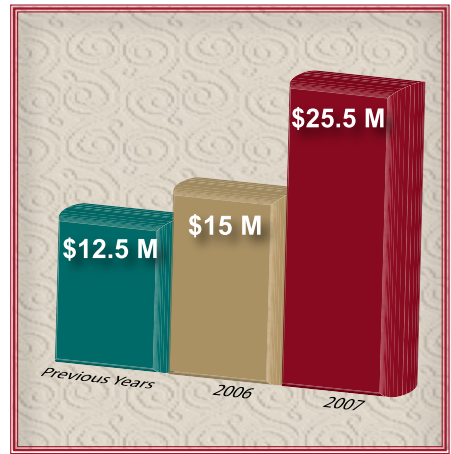


A high-tech consortium of five area chemical plants and a contractor that partnered with Victoria College combined efforts to apply for a \$1.1 million Skills Development Fund grant. The consortium includes Union Carbide Corp. (UCC) Seadrift Operations, Alcoa Point Comfort Operations, Formosa Plastics, INEOS Nitriles (formerly BP Chemicals), Seadrift Coke and Gulf States Inc. Training is being provided in process technology and process control; instrumentation

and electronics; leadership and management; computer applications; chemistry; industrial hygiene, safety, and environmental protection; and maintenance and mechanical. This grant will train nearly 1,300 workers, who will receive an average hourly wage of \$20.62 upon completion of the program. 

The Future

Interest and support for the Skills Development Fund during the 79th Texas Legislature underscored the importance of the program to Texas business and economic development. Appropriations for the 2006-07 biennium were boosted to \$40.5 million, an increase of more than \$15 million from the \$25 million appropriated for the 2004-05 biennium. TWC continues to provide rigorous oversight of SDF projects to ensure quality and accountability. Texas businesses and taxpayers should expect to see a tangible return on their investment in the form of job growth and business expansion, as well as retaining employees by providing them with the skills needed for a changing workplace.

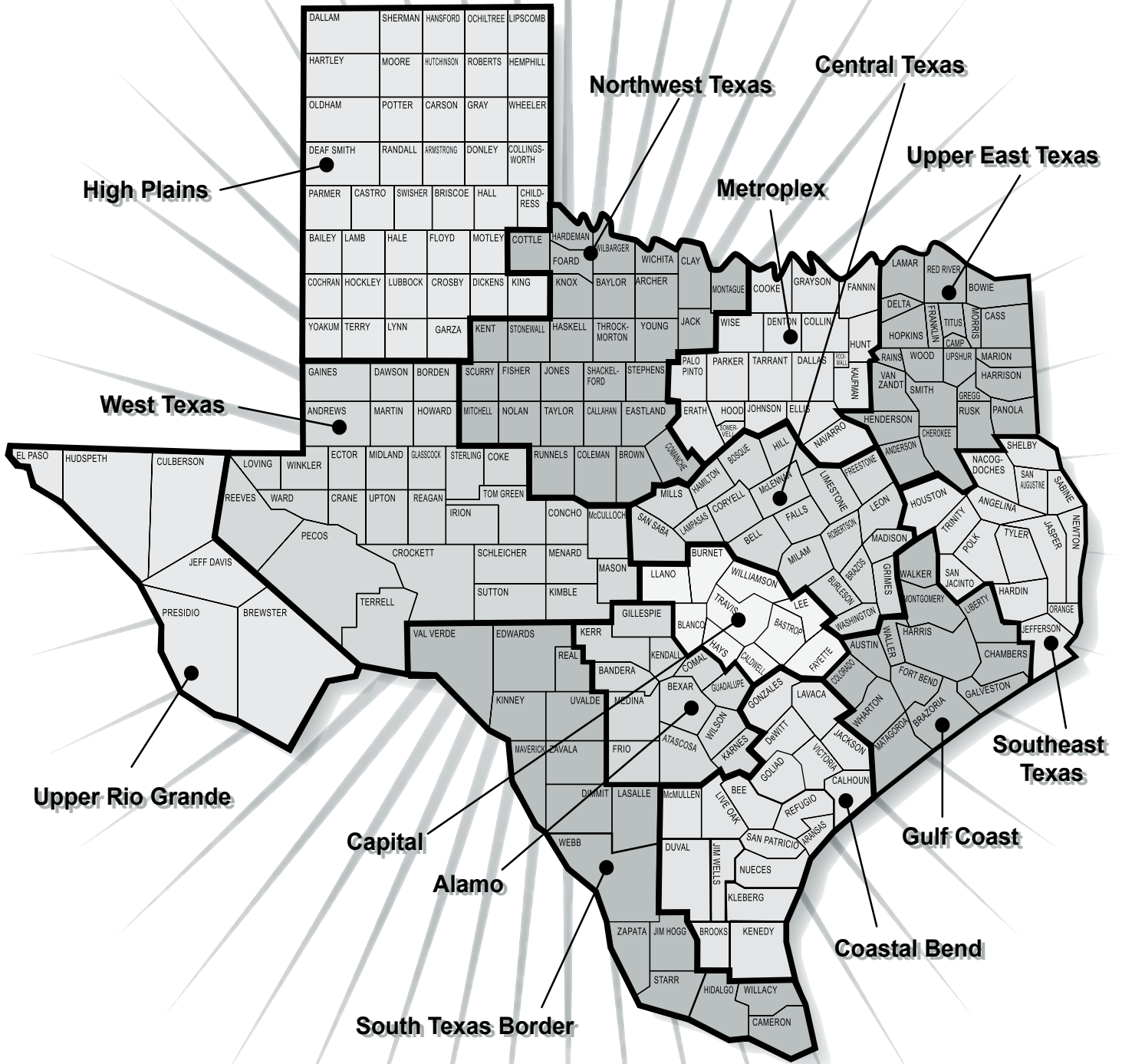


As the Texas workforce ages and global competition increases the need for specialized competencies, many businesses find that their workforces lack the skills necessary to excel in an international marketplace. The SDF was specifically designed to meet that need – to provide the workforce skills that Texas employers demand. “The Skills Development Fund continues to strengthen the vital partnerships between education, business and the state to improve the economic well-being of all Texans,” said Rep. Lois Kolkhorst.

SDF grants are a proven component of the state’s economic development strategy. Texas businesses and communities throughout Texas have benefited from a workforce equipped with the skills needed to compete in the 21st century marketplace.



COMPTROLLER'S 13 REGIONS OF TEXAS



(Chapter 303.006 Labor Code)

The Skills Development Fund assists businesses, trade unions, and community and technical colleges by financing customized job-training projects for workers entering new positions or current workers upgrading their skills. This fund successfully merges the needs of business with local job training opportunities into a winning formula for addressing skills gaps. During FY 2006, the Texas Workforce Commission operated the Skills program on a budget of \$15.5 million, which was appropriated by the Texas Legislature. The following data satisfies the requirements set forth by the 77th Legislature for an annual report of Skills Development Fund program statistics.

Note: The training funds provided to Toyota in the Alamo region are not factored into the data reflected in the tables following Table 1 due to the magnitude and multiyear nature of the project. As a result, the percentages do not total 100 percent.

Table 1 shows the total number of applications submitted, the total number of applications approved, and the total number of applications declined for each region of the state.

TABLE 1

Region	Number of Applications Submitted	Number of Applications Approved	Number of Applications Declined
Alamo	1	1	0
Capital	2	2	0
Central Texas	5	3	2
Coastal Bend	1	1	0
Gulf Coast	5	3*	2
High Plains	3	1	2
Metroplex	18	10	8
Northwest Texas	1	1	0
South Texas Border	2	0	2
Southeast Texas	4	3	1
Upper East Texas	3	3	0
Upper Rio Grande	2	2	0
West Texas	2	1*	1
Statewide Grant	1	0	1
Statewide Total	50	31	19

Note: Some applications were submitted by colleges that had partnered with businesses in two different Comptroller Regions. In these cases, the application was counted once in each region.

** Two grants were approved for funding (one in West Texas and one in Gulf Coast), but contracts were not finalized due to changes in the training needs of the businesses.*

Table 2 shows the average and median weekly wage levels of individuals trained under the FY 2006 program. The data include wages for current employees who were retrained and those who were hired into new positions.

TABLE 2

All Trainees	Statewide Average Weekly Wage	Statewide Median Weekly Wage
Current Employees (Retrained)	\$780.74	\$646.15
New Hires	\$718.08	\$577.26

Table 3 shows the average and median weekly wage levels of all of individuals trained under the FY 2006 program. These wage levels are presented for each region of the state.

TABLE 3

Region	Average Weekly Wage	Median Weekly Wage
Alamo	N/A	N/A
Capital	\$571.50	\$571.50
Central Texas	757.80	564.84
Coastal Bend	732.80	686.80
Gulf Coast	894.04	851.31
High Plains	525.60	430.40
Metroplex	825.12	609.35
Northwest Texas	629.60	641.60
South Texas Border	N/A	N/A
Southeast Texas	988.59	967.42
Upper East Texas	755.48	649.62
Upper Rio Grande	535.36	487.26
West Texas	N/A	N/A

Note: The training funds provided to Toyota are not factored into the data reflected in the above table due to the unique nature of the project.

Table 4 shows the total amount of funding awarded in each region of the state and the percentage those amounts represent of total dollars awarded on a statewide basis. The second and third columns of the table show data for FY 2006 only, and the last two columns show cumulative data from program inception (FY 1996) through FY 2006.

TABLE 4

Region	Amount Awarded by Region FY 2006	Percent of Statewide Funds Awarded FY 2006	Total Amount of Funds Awarded by Region FY 1996-2006	Percent of Total Statewide Funds Awarded FY 1996-2006
Alamo	N/A	N/A	\$ 11,237,435.73	8.51
Capital	348,733.00	2.49	3,466,453.45	2.63
Central Texas	391,153.79	2.79	8,216,354.91	6.22
Coastal Bend	1,133,157.00	8.08	3,909,245.82	2.96
Gulf Coast	564,595.00	4.03	13,919,856.55	10.54
High Plains	750,000.00	5.35	4,850,626.01	3.67
Metroplex	4,030,360.21	28.75	29,198,907.74	22.12
Northwest	90,683.00	0.65	5,252,912.88	3.98
South Texas Border	N/A	N/A	12,700,527.01	9.62
Southeast Texas	462,299.00	3.30	3,626,271.95	2.75
Upper East Texas	1,455,404.00	10.38	13,555,188.03	10.27
Upper Rio Grande	1,158,181.00	8.26	7,299,437.49	5.53
West Texas	N/A	N/A	7,600,890.45	5.76
Statewide Grant	N/A	N/A	463,548.00	0.35
Statewide Total	\$10,384,566.00	74.08*	\$ 125,297,656.02	94.90*

**Note: The training funds provided to Toyota are not factored into the data reflected in the above table due to the unique nature of the project. As a result, the percentages do not total 100 percent.*

Table 5 shows the percentage of total funding awarded to each region of the state, as well as each region's percentage of:

- the state's population;
- the civilian labor force;
- the number of unemployed persons; and
- the number of grant applications submitted to TWC by public community and technical colleges.

The second column of the table shows data for FY 2006 only, and the last column shows cumulative data from program inception (FY 1996) through FY 2006.

TABLE 5

Region	Percentage of Statewide Funds Awarded FY 2006	Percent of State's Population ¹	Percent of State's Civilian Labor Force ²	Percent of Statewide Unemployed ²	Percent of Grant Applications FY 2006	Percentage of Statewide Funds Awarded FY 1996-2006
Alamo	0.00	8.71	8.43	7.71	2.08	8.51
Capital	2.49	6.83	7.70	6.21	3.13	2.63
Central	2.79	4.42	4.26	4.04	8.33	6.22
Coastal Bend	8.08	3.26	3.16	3.17	2.08	2.96
Gulf Coast	4.03	23.70	24.04	25.09	10.42	10.54
High Plains	5.35	3.48	3.65	3.01	6.25	3.67
Metroplex	28.75	26.98	28.57	27.39	36.46	22.12
Northwest Texas	0.65	2.35	2.38	2.06	2.08	3.98
South Texas Border	0.00	6.75	5.31	7.48	4.17	9.62
South East Texas	3.30	3.28	2.96	3.86	8.33	2.75
Upper East Texas	10.38	4.67	4.51	4.40	6.25	10.27
Upper Rio Grande	8.26	3.27	2.71	3.60	4.17	5.53
West Texas	0.00	2.30	2.34	1.98	4.17	5.76
Statewide Grant	0.00	N/A	N/A	N/A	2.08	0.35
Statewide Total	74.08*	100.00	100.00	100.00	100.00	94.90*

¹ Source: U.S. Census Bureau, July 1, 2005 county population estimates.

² Source: Labor Market & Career Information, TWC FY 2006 estimates (September 1, 2005 – August 31, 2006).

* Note: The training funds provided to Toyota are not factored into the data reflected in the above table due to the unique nature of the project. As a result, the percentages do not total 100 percent.

Table 6 shows the total amount of funds awarded in FY 2006 to micro-employers, small employers, medium employers, and large employers, as defined by the number of employees working for each business. The data are presented for each region of the state.

TABLE 6

Region	Micro (<21 Employees)	Small (21-99 Employees)	Medium (100-499 Employees)	Large (500+ Employees)
Alamo	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Capital	0.00	0.00	348,733.00	0.00
Central Texas	0.00	65,450.00	0.00	325,703.79
Coastal Bend	0.00	92,233.71	0.00	1,040,923.29
Gulf Coast	0.00	0.00	0.00	564,595.00
High Plains	0.00	63,060.54	274,943.95	411,995.52
Metroplex	0.00	627,889.47	872,271.36	2,530,199.38
Northwest Texas	0.00	0.00	41,398.76	49,284.24
South Texas Border	0.00	0.00	0.00	0.00
Southeast Texas	0.00	0.00	229,207.69	233,091.31
Upper East Texas	29,561.35	22,466.63	481,851.47	921,524.55
Upper Rio Grande	0.00	0.00	0.00	1,158,181.00
West Texas	0.00	0.00	0.00	0.00
Statewide Total	\$ 29,561.35	\$ 871,100.34	\$ 2,248,406.23	\$ 7,235,498.08
Statewide Percent of Total	0.21	6.21	16.04	51.62

Note: The training funds provided to Toyota are not factored into the data reflected in the above table due to the unique nature of the project. As a result, the percentages do not total 100 percent.

Table 7 shows the total number of individuals trained under the FY 2006 program by region of the state. The total for each region includes the number of trainees who entered new jobs and the number of current workers retrained.

TABLE 7

Region	Total Number of Trainees
Alamo	0
Capital	160
Central Texas	547
Coastal Bend	1,290
Gulf Coast	679
High Plains	892
Metroplex	6,122
Northwest Texas	92
South Texas Border	0
Southeast Texas	625
Upper East Texas	2,888
Upper Rio Grande	795
West Texas	0
Statewide Total	14,090

Note: The number of trainees from Toyota is not factored into the data reflected in the above table due to the unique nature of the project.

All 14,090 trainees (100 percent) were offered one or more benefits options such as health care, workers' compensation or other analogous benefits programs.

Of the 3,127 new hires trained through SDF grants in FY 2006, 3,004 were from existing Texas employers, and 123 were from employers relocating to Texas. Of the 10,963 incumbent workers trained through SDF grants in FY 2006, 10,951 were from existing Texas employers and 12 were from employers relocating to Texas.

Table 8 shows the total number of individuals trained under the FY 2006 program by industry classification. The total for each industry includes the number of trainees who entered new jobs and the number of current workers retrained.

TABLE 8

Region	Total Number of Trainees
Aerospace & Defense	1,735
Biotechnology and Life Sciences	20
Construction	887
Health Care & Social Assistance	2,475
Information	795
Manufacturing	6,841
Mining	537
Services	391
Transportation & Warehousing	331
Utilities	60
Wholesale Trade	18
Statewide Total	14,090

Note: The number of trainees from Toyota is not factored into the data reflected in the above table due to the unique nature of the project.



Texas Workforce Commission
101 East 15th Street
Austin, Texas 78778-0001

<http://www.texasworkforce.org>

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