

Texas Workforce Commission *Skills Development Fund*

Annual Report Fiscal Year 2007



— TEXAS —
WORKFORCE SOLUTIONS
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Skills Development Fund Annual Report Fiscal Year 2007

The Texas Workforce Commission (TWC) 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 or losing jobs to other states or countries.

In the competitive global economy, TWC'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 SDF to Texas' economic vitality.

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, consortium of businesses, or trade union works with a community or technical college, the Texas Engineering Extension Service (TEEX), or a community-based organization in partnership with one of the aforementioned education providers to develop customized training for its workforce to close existing skills 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 in 1996, SDF has helped 3,115 employers create 68,207 jobs and upgrade the skills of 120,734 incumbent workers, for a total of 188,941 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 identifies a training need, and then partners with a public community or technical college or TEEX 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 or 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. Participating workers are provided with career opportunities and, in many cases, wage gains.

In Fiscal Year 2007 (FY 2007), TWC's Skills Development Fund:

- served 281 businesses;
- supported the creation of 7,073 new jobs;
- retrained 13,758 current workers for existing jobs;
- received proposals for \$50,820,087 in SDF grants; and
- awarded 55 SDF grants totaling \$25,059,808.


Customized training resources are critical for maintaining the strength of the Texas economy. As Texas businesses strive to remain competitive in a global economy, higher level skills training for new and incumbent workers is becoming the norm.

The SDF program has provided opportunities for businesses to increase their innovation and efficiency, as well as 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 Success



The Northwest Texas region, one of the Comptroller's 13 economic regions in Texas, will benefit from an SDF grant totaling \$275,352. The West Central Texas Workforce Development Board, local economic development entities, Abilene Christian University, and Texas State Technical College partnered to develop the project and recruited Genesis Networks Solutions, Inc. (GNS) to locate in Abilene. At the completion of the training project, GNS employees will have opportunities to earn undergraduate and advanced degrees in computer science at local universities, including Texas Tech University. The project has leveraged other local contributions in excess of \$100,000 and will create 60 new services industry jobs for this small employer.

“The Texas Workforce Commission, businesses, and training providers give workers the opportunity to gain skills and become more successful in the workplace,” state Sen. Troy Fraser said. “The work put into these grants demonstrates the state’s commitment to improving the lives of its citizens.” 

Economic Impact

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 FY 2007, projects represented both rural and urban areas across the state.

Skills training can range from large urban employers in need of engineers to training advanced manufacturing workers needed in a rural community. In FY 2007, TWC received more than 100 proposals and funded 55 grants involving 281 businesses. The average SDF grant was \$464,071. SDF grants were instrumental in adding 7,073 new jobs and upgrading 13,758 current jobs to help Texas businesses compete in the global marketplace.


Workers also benefit from SDF grants. 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 \$19.04 in FY 2007. In addition, 99.9 percent of the 20,831 SDF trainees were offered one or more benefit options, such as health insurance, workers' compensation, or 401(k) plans.

Skills Success

The January 2007 opening of a new facility in the Port of Houston, the largest container shipping port in the Gulf of Mexico, resulted in a shortage of trained workers. San Jacinto College partnered with the West Gulf Maritime Association (WGMA), which represents eight businesses, to bring a \$987,620 SDF grant to the Gulf Coast region to meet this immediate need. The college not only focused on curriculum development, but also worked with WGMA to create appropriate career ladders and training evaluations. The training resulted in certifications that are recognized in all Texas maritime ports. The college committed \$53,000 for in-kind resources to administer the project and to provide facilities and equipment. The project will create approximately 570 new jobs and upgrade the skills of 1,060 current workers.

"Creating and sustaining more than 1,600 jobs in the Gulf Coast region will bring growth to the companies involved and prosperity to the families of the workers," said state Rep. Ana E. Hernandez.

The Panhandle Workforce Development Board, Amarillo Economic Development Council, Frank Phillips College, and High Plains Dairy Council collaborated extensively to bring a \$295,686 SDF grant to the High Plains region. Hilmar Cheese has completed the development of a new cheese manufacturing facility in Dalhart and will expand over the next several years to add 180 new workers to the 300 currently being trained under the project. Local dairies are the suppliers to Hilmar Cheese and collaborate with the High Plains Dairy Council to ensure new workers are trained and ready to meet the needs of the cheese factory. Training, conducted in the college's mobile classroom, consists of computer-based courses and hands-on instructional training. Training was developed in both English and Spanish to assist trainees who are limited-English proficient.

"The Skills Development Fund is a great example of how public-private partnerships should work," said state Rep. Warren Chisum. "The companies work with Frank Phillips College developing the curriculum they need, the college custom trains the workers with those skills, and the companies guarantee jobs to the workers who complete the training." 

Job Growth and Job Retention

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

TWC adopted new program rules that became effective in January 2006. The new rules set a goal of awarding 40 percent of SDF funds to job creation and 60 percent to incumbent worker training. This new focus created more opportunities for Texas workers and gave businesses the necessary resources to expand their operations and increase their bottom lines. At the close of FY 2007, TWC met its goal, awarding more than \$10 million for job creation and \$15 million to increase the skills of incumbent workers.

“Through these grants, the state of Texas economically prospers,” state Senator Tommy Williams said. “Workers are able to upgrade their skills, and Texas gains a more custom-trained workforce.”

Skills Success

McLane Advanced Technologies (MAT) is a fast-growing company founded in 2003. MAT is a service-based technology company that provides software development and information technology services to various industries, including manufacturing and distribution, real estate, and defense. In partnership with Temple College, the business is implementing a \$495,566 SDF grant in the Central Texas region. The grant provides for technical training in software testing and leadership skills development for high-performance work teams. The grant will provide training for 86 new workers and upgrade the skills of 161 current employees. 



High-Growth, High-Demand Industries


A market-driven workforce system requires strategic investments and leveraging of resources to maximize returns. TWC targets training resources to develop the skills and competencies necessary to meet industry demands and ensure a steady supply of qualified, job-ready workers.

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

“The Skills Development Fund is one of the best programs in Texas to provide specialized job training,” state Rep. Joe Deshotel said. “Not only does the business benefit from improved workers’ skills, but the workers receive excellent training for jobs created or to upgrade their skills in their current job.”

Skills Success



The South Texas Border region is benefiting from a \$268,481 SDF grant in the high-growth health care industry, thanks to South Texas College, the Center for Industrial Rehabilitation, Starr County Memorial Hospital, South Texas Health Systems, Knapp Medical Center, and Cornerstone Regional Hospital. South Texas College worked closely with the Lower Rio Grande Valley Workforce Development Board and the Health Care Industry Taskforce to validate the need for training in specific health care industry areas, including technology, applied technology, and occupational foreign language. Employees who successfully complete the training will receive certifications in emergency and critical care nursing, medical surgical nursing, and phlebotomy. The project will create 152 new jobs and upgrade the skills of 153 current workers. 

The Future

Interest and support for the Skills Development Fund by the 80th Texas Legislature, Regular Session (2007), underscored the program's importance to Texas business and economic development. Appropriations for the 2008-09 biennium were boosted to \$50 million, an increase of nearly \$10 million from the \$40.5 million appropriated for the 2006-07 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, business expansion, and employee retention.



As the Texas workforce ages and global competition increases the need for specialized competencies, many businesses find that their workforce lacks the skills necessary to excel in an international marketplace. SDF was specifically designed to meet that need — to provide the workforce skills that Texas employers demand.

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

“Creating opportunities for people to better their lives is a critical step in bringing more economic opportunity to our Rio Grande Valley residents and their families,” said state Sen. Eddie Lucio Jr.



(Texas Labor Code, §303.006)

SDF 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 businesses with local job training opportunities into a winning formula for addressing skills gaps. During FY 2007, TWC operated the SDF program on a budget of \$25 million that the Texas Legislature appropriated.

Note: The training funds provided to Toyota in the Alamo region are not factored into the data reflected in Tables 2–8 because of 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 of the Comptroller’s 13 regions.

Table 1

Region	Number of Applications Submitted	Number of Applications Approved	Number of Applications Declined
Alamo	5	1	4
Capital	5	3	2
Central Texas	6	5	1
Coastal Bend	3	2	1
Gulf Coast	15	8	7
High Plains	7	2	5
Metroplex	25	16	9
Northwest Texas	5	4	1
South Texas Border	9	3	6
Southeast Texas	7	6	1
Upper East Texas	16	12	4
Upper Rio Grande	6	1	5
West Texas	4	3	1
Statewide Grant	0	0	0
Statewide Total	113	66	47

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

Table 2 shows the average and median weekly wage levels of individuals trained under the FY 2007 SDF 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)	\$796.57	\$707.96
New Hires	\$693.08	\$627.26

Table 3 shows the average and median weekly wage levels of individuals trained under the FY 2007 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	\$780.92	\$606.28
Central Texas	693.64	682.75
Coastal Bend	1,007.02	952.39
Gulf Coast	784.23	654.18
High Plains	632.99	608.80
Metroplex	913.02	831.44
Northwest Texas	676.58	671.70
South Texas Border	496.31	505.50
Southeast Texas	605.98	598.10
Upper East Texas	664.26	599.88
Upper Rio Grande	700.40	505.20
West Texas	795.59	663.87

Note: Because of the unique nature of the project, the training funds provided to Toyota (Alamo) are not factored in the data reflected in the above table.

Table 4 shows the total amount of funding awarded in each region of the state and the percentage those amounts represent of the total dollars awarded statewide. The second and third columns of the table show data only for FY 2007, while the last two columns show cumulative data from FY 1996 (program inception) through FY 2007.

TABLE 4

Region	Amount Awarded by Region FY 2007	Percent of Statewide Funds Awarded FY 2007	Total Amount of Funds Awarded by Region FY 1996–2007	Percent of Total Statewide Funds Awarded FY 1996–2007
Alamo	\$ 0.00	0.00	\$ 11,237,435.73	7.07
Capital	996,133.25	3.69	4,462,586.70	2.81
Central Texas	3,100,901.63	11.48	11,317,256.54	7.12
Coastal Bend	805,345.81	2.98	4,714,591.63	2.96
Gulf Coast	7,564,026.78	28.01	21,483,883.33	13.51
High Plains	545,390.00	2.02	5,396,016.01	3.39
Metroplex	4,866,852.32	18.02	34,065,760.06	21.42
Northwest	919,367.00	3.40	6,172,279.88	3.88
South Texas Border	2,177,304.00	8.06	14,877,831.01	9.35
Southeast Texas	821,900.08	3.04	4,448,172.03	2.80
Upper East Texas	2,741,047.02	10.15	16,296,235.05	10.25
Upper Rio Grande	101,150.76	0.37	7,400,588.25	4.65
West Texas	420,389.34	1.56	8,021,279.79	5.04
Statewide Grant	0.00	0.00	463,548.00	0.29
Statewide Total	\$25,059,808.00	92.79*	\$150,357,464.02	94.54*

**Note: Because of the unique nature of the project, the training funds provided to Toyota (Alamo) are not factored in the data reflected in the above table. Therefore, 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;
- civilian labor force;
- unemployed persons; and
- grant applications submitted to TWC by public community and technical colleges.

The second column of the table shows data only for FY 2007, and the last column shows cumulative data from FY 1996 (program inception) through FY 2007.

TABLE 5

Region	Percentage of Statewide Funds Awarded FY 2007	Percent of State’s Population ¹	Percent of State’s Civilian Labor Force ²	Percent of Statewide Unemployed ²	Percent of Grant Applications FY 2007	Percentage of Statewide Funds Awarded FY 1996–2007
Alamo	0.00	8.70	8.49	7.98	4.42	7.07
Capital	3.69	6.90	7.79	6.43	4.42	2.81
Central Texas	11.48	4.32	4.16	4.13	5.31	7.12
Coastal Bend	2.98	3.18	3.14	3.12	2.65	2.96
Gulf Coast	28.01	24.16	24.17	23.65	13.27	13.51
High Plains	2.02	3.40	3.60	3.06	6.19	3.39
Metroplex	18.02	27.05	28.59	27.93	22.12	21.42
Northwest Texas	3.40	2.28	2.36	2.11	4.42	3.88
South Texas Border	8.06	6.74	5.26	7.82	7.96	9.35
Southeast Texas	3.04	3.18	2.97	3.54	6.19	2.80
Upper East Texas	10.15	4.58	4.45	4.60	14.16	10.25
Upper Rio Grande	0.37	3.24	2.67	3.71	5.31	4.65
West Texas	1.56	2.26	2.35	1.92	3.54	5.04
Statewide Grant	0.00	8.70	8.49	7.98	0.00	0.29
Statewide Total	92.79*	100.00	100.00	100.00	100.00	94.54*

¹ Source: U.S. Census Bureau, July 1, 2006, county population estimates

² Source: Labor Market & Career Information, TWC FY 2007 estimates (September 1, 2006–August 31, 2007)

*Note: Because of the unique nature of the project, the training funds provided to Toyota (Alamo) are not factored in the data reflected in the above table. Therefore, the percentages do not total 100 percent.

Table 6 shows the total amount of funds awarded in FY 2007 to microemployers, 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	18,104.25	130,381.96	345,993.92	501,653.12
Central Texas	0.00	35,888.03	1,080,573.60	1,984,440.00
Coastal Bend	0.00	0.00	0.00	805,345.81
Gulf Coast	0.00	297,813.67	1,990,679.30	5,275,533.81
High Plains	111,234.26	99,970.03	0.00	334,185.71
Metroplex	9,981.11	61,192.25	1,537,423.04	3,258,255.91
Northwest Texas	38,304.34	308,868.30	528,588.95	43,605.41
South Texas Border	295,334.84	977,379.40	219,545.45	685,044.31
Southeast Texas	11,323.37	74,812.00	33,716.87	702,047.84
Upper East Texas	82,738.51	91,521.14	341,629.25	2,225,158.13
Upper Rio Grande	0.00	0.00	0.00	101,150.76
West Texas	0.00	15,581.13	0.00	404,808.21
Statewide Total	\$567,020.69	\$2,093,407.91	\$6,078,150.39	\$16,321,229.02
Percent of Total*	2.26	8.35	24.26	65.13

**Note: Because of the unique nature of the project, the training funds provided to Toyota (Alamo) are not factored in the data reflected in the above table. Therefore, the percentages do not total 100 percent.*

Table 7 shows the total number of individuals trained under the FY 2007 SDF grants 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	1,159
Central Texas	1,785
Coastal Bend	794
Gulf Coast	5,530
High Plains	750
Metroplex	4,640
Northwest Texas	456
South Texas Border	1,302
Southeast Texas	846
Upper East Texas	3,214
Upper Rio Grande	148
West Texas	207
Statewide Total	20,831

Note: Because of the unique nature of the project, the number of trainees from Toyota (Alamo) is not factored in the data reflected in the above table.

The following six regions had more than 1,000 workers trained through FY 2007 SDF grants in the following predominate industries:

- Capital Area: Manufacturing
- Central Texas: Construction and Manufacturing
- Gulf Coast: Manufacturing, Transportation and Warehousing, Construction, and Services
- Metroplex: Manufacturing, Information, Mining, and Wholesale Trade
- South Texas Border: Construction, Manufacturing, and Health Care and Social Assistance
- Upper East Texas: Manufacturing, Mining, and Services

Of the 20,831 trainees, 99.9 percent were offered one or more benefits options such as health care, workers' compensation, or other analogous benefits programs.

Of the 7,073 new hires trained through SDF grants in FY 2007:

- 6,494 were from existing Texas employers, and
- 579 were from employers relocating to Texas.

Of the 13,758 incumbent workers trained through SDF grants in FY 2007:

- 13,125 were from existing Texas employers, and
- 633 were from employers relocating to Texas.

Table 8 shows the total number of individuals trained under the FY 2007 SDF 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

Industry	Total Number of Trainees
Aerospace & Defense	295
Agricultural	300
Construction	3,332
Finance & Insurance	60
Health Care & Social Assistance	539
Information	825
Manufacturing	10,385
Mining	1,447
Retail Trade	22
Services	1,352
Transportation & Warehousing	1,927
Wholesale Trade	347
Statewide Total	20,831

Note: Because of the unique nature of the project, the number of trainees from Toyota is not factored in the data reflected in the above table.



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