

Texas Workforce Commission

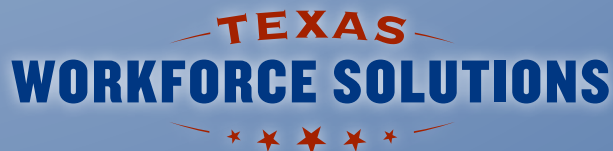
Skills Development Fund
Annual Report Fiscal Year 2008



TEXAS
WORKFORCE SOLUTIONS

Texas Workforce Commission Mission

To promote and support a workforce system that offers employers, individuals and communities the opportunity to achieve and sustain economic prosperity.



Skills Development Fund

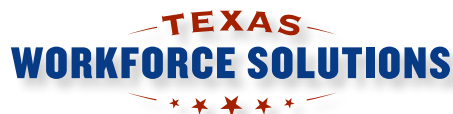
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The Texas Workforce Commission (TWC) recognizes the value of skills training to Texas employers. As economic development efforts become more influenced by a global economy, a well-trained workforce can be the pivotal factor between retaining and attracting businesses to Texas and 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 public community or technical college or with the Texas Engineering Extension Service (TEEX) 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 3,263 employers create 76,191 jobs and upgrade the skills of 132,439, incumbent workers, for a total of 208,630 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 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 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.

“The Skills Development Fund supports important training and a stronger Texas workforce,” said state Rep. Warren Chisum.

In Fiscal Year 2008 (FY 2008), TWC’s Skills Development Fund:

- served 148 businesses;
- supported the creation of 7,984 new jobs;
- retrained 11,705 current workers for existing jobs;
- received proposals for \$52,266,955 in SDF grants; and
- awarded 41 SDF grants totaling \$22,772,673.

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 Spotlight:

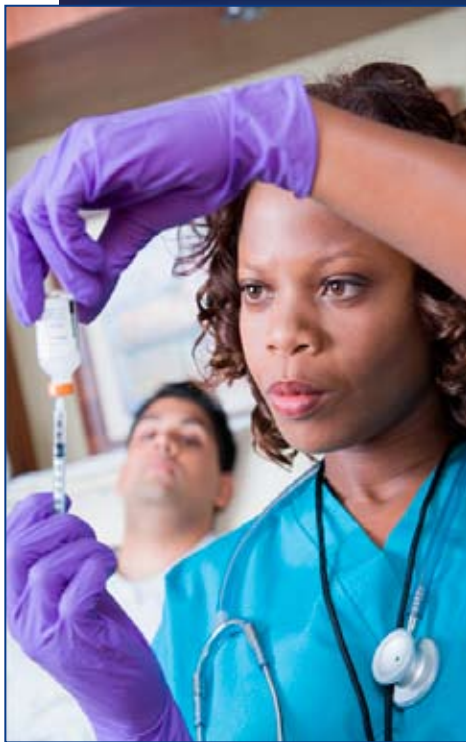


The Aligned Models for Talent Expansion Consortium (AMTEC), which involves a group of eight manufacturing and supply-chain businesses in the Dallas area, collaborated with El Centro College and the Dallas County Workforce Development Board (Board) to develop a training project aimed at expanding the skills of its employees. Intending to build upon the successes of previous AMTEC training partnerships with the Board, El Centro College and the consortium turned to the Skills Development Fund for assistance and received a grant of \$908,546. Presently, 545 incumbent workers and 181 new hires are receiving extensive training in lean manufacturing, avionics, communications, project management, and supervisory skills, and will ultimately earn an average wage of \$18.97 per hour. Notably, the consortium includes three small and micro businesses and four medium businesses. The training outcomes for these smaller-scale businesses will be large-scale returns due to the combined resources of the consortium.

“Our area’s economy will benefit from the Skills Development Fund,” said state Rep. Dan Branch. “These types of programs help our community colleges educate critical workers and enhance the opportunities for those who participate.”

Skills Spotlight:

In a partnership that will provide a tremendous boost to the health care industry along the Texas border, El Paso Community College and the El Paso Community Healthcare System are training health care workers in El Paso with the assistance of a Skills Development Fund grant of \$497,658. More than 1,300 employees of Las Palmas and Del Sol Medical Centers are participating in the project, which will result in a number of nationally recognized certifications for occupations including nursing.



Upon completion of training, hospital workers will obtain specialized skills, assume more responsibilities, and progress to more advanced occupations. Its participation in the project will expand El Paso Community College's training repertoire to include 29 courses that were not previously available, positioning the college to provide similar training to other health care providers in the region. El Paso Community Healthcare System is contributing over \$732,000 in wages and resources, demonstrating a commitment to the project's success.

This collaborative endeavor is encouraging the longer-term expansion of a base of skilled workers in the El Paso health care industry.

"In the next few years, with the dramatic expansion of Fort Bliss, we will need to recruit thousands of area health professionals," said state Sen. Eliot Shapleigh. "The EPCC and El Paso Healthcare System collaboration is a great example of how best to get the job done."

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 2008, projects represented both rural and urban areas across the state.

Skills projects can range from large urban employers in need of engineers to advanced manufacturing training for workers in a rural community. In FY 2008, TWC received 102 proposals and funded 41 grants involving 148 businesses. The average SDF grant was \$555,431. SDF grants were instrumental in adding 7,984 new jobs and upgrading 11,705 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 \$24.29 in FY 2008. In addition, 99.95 percent of the 19,689 SDF trainees were offered one or more benefit options, such as health insurance, workers' compensation, or 401(k) plans.

Skills Spotlight:



Alvin Community College recently received a \$2,302,405 Skills Development Fund grant to train nearly 1,250 advanced chemical manufacturing workers at INEOS USA, Equistar Chemicals, Solutia, and TEAM Industrial Services. The four business partners have outstanding safety and environmental reputations that will be further strengthened through this project, as more employees expand their technical skills and earn recognized credentials. The training components developed by the college for this project will increase its capacity to provide training to other chemical manufacturers in the region and further the development of a skilled labor pool. In an industry that is experiencing severe shortages of skilled workers, training is critical to maintaining the viability of the businesses, meeting their customer demands, and sustaining the economic well-being of the region. This investment will benefit the chemical industry in the Gulf Coast region for years to come, with an estimated economic impact of nearly \$42 million.

“Through this grant, the state of Texas economically prospers,” said state Sen. Mike Jackson. “Workers are able to upgrade their skills, and Texas is able to provide a more custom-trained workforce.”

Skills Spotlight:



The Valley Baptist Health System (VBHS) in the Rio Grande Valley recently implemented a standardized patient management system, which provides patient information at any point of care and streamlines the delivery of patient services. In order to train its employees and physicians on the new system, VBHS enlisted the assistance of the Texas State Technical College (TSTC) in Harlingen to develop a Skills Development Fund project, which resulted in a grant award of \$943,962. The project will address critical shortages in health care in the Rio Grande Valley by creating 750 new jobs and upgrading the skills of over 1,100 current employees. TSTC-Harlingen has worked closely with VBHS to customize the project to the hospital system's needs, including modifying the training schedule to accommodate the non-traditional "8 to 5" work schedule of

its employees. Trainees will earn an average wage of \$31 per hour, nearly \$18 higher than the average wage for that area. This project represents a significant investment in the economic well-being of the Texas border region and has an estimated regional economic impact of over \$83 million.

"This training grant enables the creation of nearly 750 new jobs and more than 1,100 workers to receive further training in highly skilled, high-demand jobs in the Rio Grande Valley," said state Rep. Eddie Lucio III. "Good-paying jobs for Texans result from these types of partnerships between the private and public sectors."

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 program rules set a goal of awarding 40 percent of SDF funds to new job creation and 60 percent to incumbent worker training. This focus creates opportunities for Texas workers and gives businesses the necessary resources to expand their operations and increase their bottom lines. At the close of FY 2008, TWC met its goal, awarding more than \$8.5 million for new job creation and \$13.4 million to increase the skills of incumbent workers.

Skills Spotlight:

A Skills Development Fund grant of \$161,000 was awarded to North Central Texas College in partnership with Allied Production Solutions and Titan Tanks & Vessels, both small businesses located in the Texoma Workforce Development Area. Due to the tremendous demand for the support equipment they manufacture, these businesses are growing and in need of well-trained workers.



This project supports the oil and gas industry by providing training to 110 workers in welding, sheet metal fabrication, forklift operations, occupational math, blueprint reading, safety, and crane operations, with more than half of the trainees being new hires. Particular emphasis will be given to welding training, with a rigorous six-month practical program developed for inexperienced welders.

Trainees will earn an average hourly wage of \$20.88, with more than 25 percent of incumbent workers receiving a 20 percent wage increase upon the completion of training.

“This joint effort of the Texas Workforce Commission and North Central Texas College will provide opportunities for people to gain the education and skills training they need to become gainfully employed,” said state Sen. Craig Estes. “I applaud this public-private partnership among TWC, NCTC, and our local industries in working to create a stronger workforce.”

Skills Spotlight:



Anticipating a severe shortage of industrial electricians, millwrights, and pipefitters due to retirements and competition with other regions of the country, a consortium of petrochemical companies in the Golden Crescent Workforce Development Area collaborated with Victoria College to

develop a training program to address the critical need for trained workers. In 2008, a Skills Development Fund grant of \$1,694,829 was awarded to the college to build upon the success of a training project begun in 2006. Five of the businesses from the 2006 project remained as partners to the current project, along with five new partners, demonstrating a collective commitment to growing the skills of workers in the petrochemical industry.

Workers will be trained in process technology and control, instrumentation and electronics, engineering, chemistry, and skilled crafts like pipefitting. Many incumbent workers will also complete leadership and management training, since the businesses expect these workers to advance within the company as more senior employees retire. At \$27.56, the average wage employees will earn at the completion of training is nearly \$13 above the average wage for the

area, a significant factor in encouraging the growth and retention of the workforce for these businesses.

“This grant will go a long way toward achieving our goal of a well-trained Golden Crescent workforce,” said state Rep. Geanie W. Morrison.

“The participating companies will get the skilled workers they need, while those workers will receive excellent wages. I appreciate the Texas Workforce Commission and Victoria College for their roles in this vital project.”

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.

Skills Spotlight:



Temple College has partnered with Texas Hydraulics on a project that will help address the strong local and statewide demand for machinists, welders, and automated machine operators.

Texas Hydraulics is modernizing its operations and facilities to implement advanced manufacturing methods, lean processes, and cellular design as it increases its level of quality services to customers worldwide. To address the demand for workers with the necessary skill sets, the project will train 400 individuals in lean manufacturing, welding, machining, safety, and leadership. Trainees will receive certifications in Six Sigma Black Belt, welding, OSHA, and HazWOPER. Texas Hydraulics has committed resources that represent nearly 218 percent of the Skills Development Fund grant amount of almost \$400,000, a strong demonstration of its dedication to its workforce. Temple College's participation

in this project is helping to build its capacity to provide additional training to other business partners with similar training needs, further responding to the shortages in these demand occupations

“Thanks to the Texas Workforce Commission and the colleges and companies that participate in these grants, workers have the chance to gain knowledge and become more successful in the workplace,” said state Sen. Troy Fraser. “The work put into this grant demonstrates the state’s commitment to improving the lives of its citizens.”

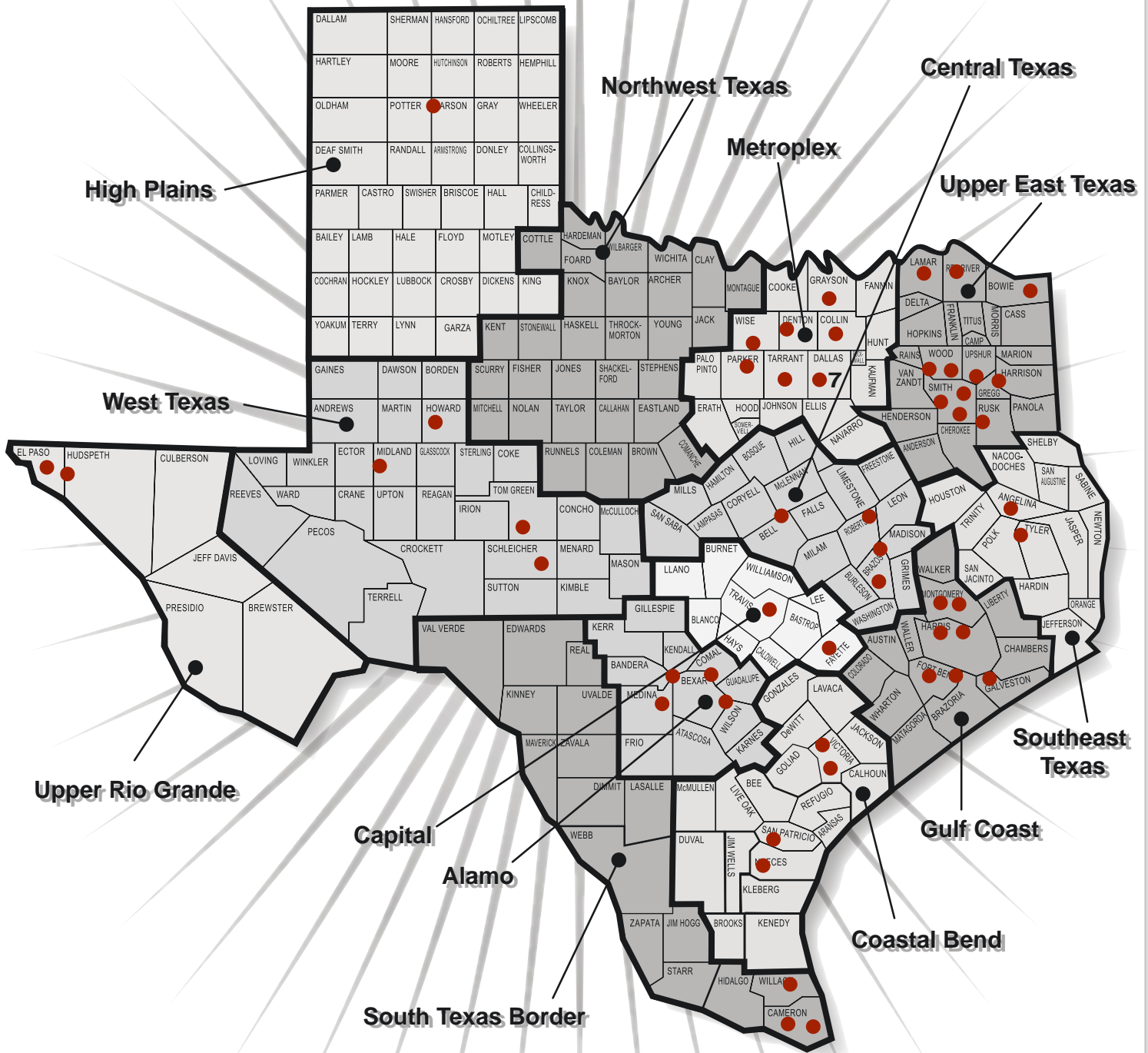
The Future

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 a result, interest and support for the Skills Development Fund has grown.

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.

COMPTROLLER'S 13 REGIONS OF TEXAS



• FISCAL YEAR 2008 SKILLS GRANTS

(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 2008, TWC operated the SDF program on a budget of \$25 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 SDF program statistics.

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	Number of Applications Withdrawn
Alamo	5	4	1	0
Capital	8	2	5	1
Central Texas	9	3	6	0
Coastal Bend	5	3	2	0
Gulf Coast	13	6	5	2
High Plains	2	1	1	0
Metroplex	24	13	10	1
Northwest Texas	2	0	2	0
South Texas Border	6	2	3	1
Southeast Texas	4	2	2	0
Upper East Texas	14	11	2	1
Upper Rio Grande	3	2	1	0
West Texas	7	4	3	0
Statewide Grant	0	0	0	0
Statewide Total	102	53	43	6

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. Also, a grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

Table 2 shows the average and median weekly wage levels of individuals trained under the FY 2008 program. The data includes 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)	\$998.31	\$970.57
New Hires	\$932.82	\$916.84

Table 3 shows the average and median weekly wage levels of all of individuals trained under the FY 2008 program. These wage levels are presented for each region of the state.

TABLE 3

Region	Average Weekly Wage	Median Weekly Wage
Alamo	984.51	968.33
Capital	2,204.27	2,325.55
Central Texas	607.28	607.18
Coastal Bend	946.74	835.30
Gulf Coast	1,268.19	1,222.07
High Plains	559.60	464.00
Metroplex	914.89	781.84
Northwest Texas	N/A ¹	N/A ¹
South Texas Border	1,037.16	1,074.39
Southeast Texas	913.77	777.84
Upper East Texas	678.22	617.81
Upper Rio Grande	752.73	946.16
West Texas	840.05	807.51

¹ A grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

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 2008 only, and the last two columns show cumulative data from program inception (FY 1996) through FY 2008.

TABLE 4

Region	Amount Awarded by Region FY 2008	Percent of Statewide Funds Awarded FY2008	Total Amount of Funds Awarded by Region FY 1996-2008	Percent of Statewide Funds Awarded FY 1996-2008
Alamo	4,237,029.17	18.61	15,474,464.90	8.51
Capital	697,193.74	3.06	5,159,780.44	2.84
Central Texas	529,448.25	2.32	11,846,704.79	6.52
Coastal Bend	2,226,697.36	9.78	6,941,288.99	3.82
Gulf Coast	3,732,145.75	16.39	25,216,029.08	13.87
High Plains	32,123.00	0.14	5,428,139.01	2.99
Metroplex	3,552,450.07	15.60	37,618,210.13	20.69
Northwest Texas	0.00 ¹	0.00 ¹	6,172,279.88	3.39
South Texas Border	2,443,962.00	10.73	17,321,793.01	9.53
Southeast Texas	326,439.50	1.43	4,774,611.53	2.63
Upper East Texas	3,267,541.42	14.35	19,563,776.47	10.76
Upper Rio Grande	788,658.00	3.46	8,189,246.25	4.50
West Texas	938,984.73	4.12	8,960,264.52	4.93
Statewide Grant	0.00	0.00	463,548.00	0.25
Statewide Total	22,772,673.00	100.00	173,130,137.01	95.23²

¹ A grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

² 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 total percentage in the last column ("Percent of Total Statewide Funds Awarded FY 1996-2008") does not equal 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 2008 only, and the last column shows cumulative data from program inception (FY 1996) through FY 2008.

TABLE 5

Region	Percentage of Statewide Funds Awarded FY 2008	Percent of State's Population ¹	Percent of State's Civilian Labor Force ²	Percent of Statewide Unemployed ²	Percent of Grant Applications FY 2008	Percentage of Statewide Funds Awarded FY 1996-2008
Alamo	18.61	8.69	8.43	7.78	4.90	8.51
Capital	3.06	6.75	7.59	6.21	7.84	2.84
Central	2.32	4.45	4.27	3.83	8.82	6.52
Coastal Bend	9.78	3.30	3.20	3.36	4.90	3.82
Gulf Coast	16.39	23.65	23.86	24.44	12.75	13.87
High Plains	0.14	3.52	3.75	3.00	1.96	2.99
Metroplex	15.60	26.88	28.42	27.46	23.53	20.69
Northwest Texas	0.00 ³	2.40	2.41	2.04	1.96	3.39
South Texas Border	10.73	6.71	5.31	7.84	5.88	9.53
South East Texas	1.43	3.34	3.10	3.87	3.92	2.63
Upper East Texas	14.35	4.70	4.56	4.47	13.73	10.76
Upper Rio Grande	3.46	3.28	2.75	3.67	2.94	4.50
West Texas	4.12	2.34	2.33	2.02	6.86	4.93
Statewide Grant	0.00	0.00	0.00	0.00	0.00	0.25
Statewide Total	100.00	100.00	100.00	100.00	100.00	95.23 ⁴

¹Source: U.S. Census Bureau, July 1, 2007 county population estimates.

²Source: Labor Market and Career Information, TWC FY 2008 estimates (September 1, 2007 – August 31, 2008).

³A grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

⁴The 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 total percentage in the last column ("Percentage of Statewide Funds Awarded FY 1996-2008") does not equal 100 percent.

Table 6 shows the total amount of funds awarded in FY 2008 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	41,088.42	9,039.45	361,578.11	3,825,323.19
Capital	0.00	0.00	0.00	697,193.74
Central Texas	0.00	0.00	126,625.00	402,823.25
Coastal Bend	0.00	0.00	118,369.01	2,108,328.35
Gulf Coast	16,004.84	48,014.53	237,926.31	3,430,200.06
High Plains	32,123.00	0.00	0.00	0.00
Metroplex	50,519.61	263,571.08	578,910.25	2,659,449.13
Northwest Texas	0.00 ¹	0.00 ¹	0.00 ¹	0.00 ¹
South Texas Border	0.00	357,590.97	555,207.03	1,531,164.01
Southeast Texas	0.00	0.00	0.00	326,439.50
Upper East Texas	26,759.77	247,394.48	1,027,969.88	1,965,417.29
Upper Rio Grande	0.00	0.00	0.00	788,658.00
West Texas	0.00	166,176.17	148,590.04	624,218.53
Statewide Total	166,495.64	1,091,786.69	3,155,175.63	18,359,215.04
Statewide Percent of Total	0.73	4.79	13.86	80.62

¹ A grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

Table 7 shows the total number of individuals trained under the FY 2008 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	3,134
Capital	557
Central Texas	543
Coastal Bend	1,607
Gulf Coast	2,426
High Plains	28
Metroplex	3,422
Northwest Texas	0 ¹
South Texas Border	2,671
Southeast Texas	358
Upper East Texas	2,049
Upper Rio Grande	1,978
West Texas	916
Statewide Total	19,689

¹ A grant was awarded to a college in the Northwest Texas region; however, the business' job locations are in other regions of the state. As a result, these data are reflected in the regions where the jobs are based.

Of the 19,689 trainees, 99.95 percent were offered one or more benefits options such as health care, workers' compensation or other analogous benefits programs.

Of the 7,984 new hires trained through SDF grants in FY 2008:

- 7,883 were from existing Texas employers, and
- 101 were from employers relocating to Texas.

Of the 11,705 incumbent workers trained through SDF grants in FY 2008:

- 11,651 were from existing Texas employers, and
- 54 were from employers relocating to Texas.

Table 8 shows the total number of individuals trained under the FY 2008 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	450
Construction	44
Finance & Insurance	28
Health Care	3,254
Information Technology	2,813
Manufacturing	7,907
Mining	2,294
Services	2,185
Transportation & Warehousing	169
Utilities	155
Wholesale Trade	390
Statewide Total	19,689



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