

BILL ANALYSIS

C.S.H.B. 1755

By: Button

International Relations & Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It is important to keep the state economy strong and to continue attracting major employers to Texas. Entities such as the U.S. Chamber of Commerce agree that having a skilled and capable workforce is a major factor impacting economic health and plays a key role in a company's decision regarding where to locate and invest. C.S.H.B. 1755 seeks to help fill the demand for a skilled workforce in Texas and provide Texans with the opportunity to be trained and equipped with the skills necessary to obtain sustaining, full-time employment by establishing the Lone Star Workforce of the Future Fund and a grant program to fund workforce training programs.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Workforce Commission in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1755 amends the Education Code to provide for the creation of the Lone Star Workforce of the Future Fund and the Lone Star Workforce of the Future Fund grant program for the following purposes:

- creating and sustaining a utilization-driven supply of qualified workers for entry-level to mid-level jobs in high demand occupations in Texas;
- addressing and closing the gap between the skills needed by workers and the current skills of the available workforce in Texas;
- increasing the interest of current and future Texans to fill the available and emerging jobs in Texas that require less education than a bachelor's degree but more than a high school diploma; and
- strengthening the state economy by increasing the competitiveness of businesses in Texas and the recruitment of businesses to Texas.

C.S.H.B. 1755 requires the Texas Workforce Commission (TWC) to establish and administer the fund as a dedicated account in the general revenue fund consisting of legislative appropriations, interest earned on the investment of money in the fund, gifts, grants, and donations. The bill creates a six-member advisory board to assist TWC in administering the bill's provisions, consisting of the TWC chair, who serves as the presiding officer, and one member each appointed by the governor, the lieutenant governor, the speaker of the house of representatives, the Texas Higher Education Coordinating Board, and TWC.

C.S.H.B. 1755 requires TWC to establish and administer a grant program to provide grants from the fund to public junior colleges, public technical institutes, and nonprofit organizations that apply to TWC in the manner prescribed by TWC and that satisfy the applicable eligibility criteria. The bill requires TWC to award the grants on the advice and recommendations of the advisory board, which must meet at least twice each calendar year, or as needed, to make recommendations on awarding grants. The bill conditions grant eligibility on an entity doing the following:

- administering one or more performance-based workforce training programs that, as follows:
 - lead to skill development and experiences required for employment in high demand occupations in at least one career field identified and listed as a high-growth career field by TWC, the Texas Workforce Investment Council, or the Tri-Agency Workforce Initiative;
 - are developed and provided based on consultation with and input from employers who are hiring in high demand occupations;
 - create pathways to employment for program participants; and
 - are delivered through classroom-based or online instruction, work-based experiences internships, or apprenticeships, or through a combination of those methods;
- demonstrating through third-party validated data successful outcomes in training program recruitment, job skill training, and employment placement in high demand occupations;
- demonstrating the ability to attract at least 40 percent of the necessary funding for training program operation from revenue streams other than state government funding; and
- agreeing to:
 - collaborate with TWC, 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 regional employers, public junior colleges, public technical institutes, or nonprofit organizations to make available developmental work-based experiences to further enhance training program participants' career readiness;
 - engage local entities and organizations, including local workforce development boards and community-based organizations, to assist with identifying and recruiting eligible training program participants;
 - provide documentation to TWC describing training program offerings, including information necessary to verify that the offerings will provide training that is not exclusive to a single corporate partner and will lead to knowledge, skills, and work-based experiences that are transferable to similar employment opportunities in high demand occupations offered by other employers; and
 - comply with any additional grant conditions prescribed by TWC rule, including any established performance benchmarks and reporting requirements.

C.S.H.B. 1755 requires TWC by rule to establish performance benchmarks for entities receiving grants, which must include a requirement that an entity facilitate 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, as determined by the Tri-Agency Workforce Initiative, and the opportunity for career mobility, as determined by TWC, within six months of program completion. The bill requires TWC by rule to require reimbursement on a pro rata basis by an entity that does not meet a performance benchmark. An entity is expressly not required to comply with a performance benchmark if the entity's compliance is not possible because of an act of God, force majeure, or a similar cause not reasonably within the entity's control.

C.S.H.B. 1755 requires TWC by rule to require each entity receiving a grant to submit progress reports to TWC at least twice annually that include the following information for a grant-funded training program:

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

C.S.H.B. 1755 caps the amount of a grant awarded for a training program at \$15,000 per training program participant and restricts the use of the grant money to paying for the following:

- curriculum development;
- instructor fees and certifications;
- training materials;
- work-related expenses;
- work-based experience stipends;
- related wraparound services important to help ensure success for training program participants as determined by TWC rule; and
- administrative costs as determined by TWC rule, subject to a cap of 10 percent of the total amount of grant money received by the entity.

In addition to awarding grants, the bill authorizes TWC to use the fund to conduct, with a consortium of corporate partners identified by TWC as having available entry-level workforce demand, due diligence assessment reviews of entities receiving grants.

C.S.H.B. 1755 requires TWC to adopt rules as necessary to administer the bill's provisions not later than December 1, 2023. Implementation of a duty imposed by the bill during a state fiscal year is mandatory only if there is a specific appropriation made to TWC for that purpose. If TWC does not implement a provision in a fiscal year on that basis, TWC, in its legislative appropriations request for the next state fiscal biennium, must certify that fact to the Legislative Budget Board and include a written estimate of the cost of implementing the provision in each year of that biennium. The authority to suspend implementation expires on September 1, 2027, and any duty suspended due to a lack of funding becomes mandatory on that date.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 1755 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the frequency with which the advisory board must meet to make recommendations on awarding grants from once each calendar quarter, as in the introduced, to twice each calendar year. The substitute omits language from the introduced requiring the advisory board to also review the applications during these meetings.

Whereas the introduced required grant applicants to apply to the advisory board in the manner prescribed by the board, the substitute requires grant applicants to apply to TWC in the manner prescribed by TWC.

The substitute revises the eligibility requirements to receive a grant as follows:

- specifies that a workforce training program offered must be performance based;

- removes the list of qualifying high growth fields set out in the introduced in which workforce training programs must provide training and instead authorizes TWC, the Texas Workforce Investment Council, and the Tri-Agency Workforce Initiative to identify and list high-growth career fields in which the training programs must provide training;
- replaces the requirement for the training to lead to employment that is family-sustaining with a requirement that the employment lead to employment that pays at least a self-sufficient wage;
- narrows the scope of the requirement that the entity demonstrate the ability to attract at least 40 percent of the necessary funding for training program operation from revenue streams other than government funding, philanthropy, and earned revenue to require only that the entity demonstrate the ability to attract at least 40 percent of the necessary funding from revenue streams other than state government funding;
- expands the scope of the requirement to collaborate with regional employers to make available developmental work-based experiences to allow for collaboration to be with public junior colleges, public technical institutes, or nonprofit organizations as an alternative to regional employers; and
- includes an additional requirement to provide documentation to TWC describing training program offerings.

The substitute revises the provision in the introduced requiring the performance benchmarks to include a requirement that an entity facilitate 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 qualifying wage and the opportunity for career mobility within four months of training program completion to extend the period within which the transition must occur to six months after training program completion. The substitute includes provisions that were not in the introduced requiring TWC by rule to require reimbursement on a pro rata basis by an entity that does not meet a performance benchmark and establishing that an entity is not required to comply with a performance benchmark under certain circumstances.

With respect to the reporting requirement, the substitute specifies that the accomplishments achieved that must be described in the report are only key accomplishments and specifies that the changes to the training program's work plan, team, or budget that must be explained are only material changes. The introduced did not include either of these specifications.

The substitute revises the list of authorized uses of a program grant as set out by the introduced. The substitute omits language limiting the work-related expenses that may be paid for using grant money to only those for training program participants as determined by TWC rule. Moreover, the substitute includes the following as additional authorized uses of the money:

- work-based experience stipends;
- related wraparound services important to help ensure success for training program participants as determined by TWC rule; and
- administrative costs as determined by TWC rule, subject to a certain cap.

The substitute includes provisions that were not in the introduced providing for the temporary suspension of the implementation of any duty imposed by the bill for which TWC is not provided specific appropriation.