SUNSET ADVISORY COMMISSION

Texas Workforce Commission

Texas Council on Workforce and Economic Competitiveness

Staff Report
May 2002

Texas Workforce Commission

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Sunset Staff Report

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Summary

The Legislature created the Texas Workforce Commission (TWC) in 1995 to merge the myriad of fragmented employment and training programs into a single, locally-controlled workforce system. Sunset staff evaluated the impact of these changes at the state and local levels and found that, overall, Texas has made tremendous progress in building the foundation for improved workforce services. Over the last seven years, local workforce development boards have been set up statewide, delivering services through more than 260 one-stop workforce centers.

Sunset staff found that while significant advances have been made, several challenges remain to achieving the Legislature's vision of truly integrated, streamlined, and accountable workforce services that meet the needs of employers and job seekers. The key challenges identified by Sunset staff fall into four key areas: governance, employer involvement, service integration, and local board oversight.

Key challenges remain to achieve a truly integrated and streamlined workforce system that meets the needs of employers and job seekers.

- A wide variety of people interviewed by Sunset staff as part of this review identified the need to change the agency's governing structure as critical to improving the agency's operations. Having three Commissioners, each with very different constituencies, directly involved in agency activities, on a full-time basis, is problematic. This governance structure creates confusion among staff and others regarding who is responsible for the operations of the agency. Sunset staff found that while full-time commissioners may have been needed in prior years to hear unemployment insurance appeals, many other large states use a separate appeal board to focus solely on this function.

- Another challenge for TWC is to more fully engage employers in the development of State workforce policies and services. TWC cannot effectively address the needs of job seekers without better understanding and meeting the needs of employers. However, many employers still do not see TWC as a good resource for qualified or desirable job applicants.

- Many of TWC services are not integrated across programs. The consolidation of 28 workforce related programs into a single state agency, and the delivery of services through local one-stop workforce

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centers has greatly reduced the fragmentation of services. Unfortunately, many of these services continue to be delivered in the same program "silos" as they were before being merged into TWC. This results in ongoing duplication across programs, and forces customers in need of more intensive job training and employment services to work with multiple case workers to get the help needed.

Sunset staff also found that adult education and literacy programs remain fragmented between TWC and the Texas Education Agency. The integration of these services is seriously hampered by being split across two agencies, and not adequately linked to the employment and job training services available at local one-stop workforce centers.

- The capacity of local workforce development boards to effectively oversee funds and services varies considerably statewide. Sunset staff found no clear distinction between the State's oversight role and that of the local boards, with both focused primarily on short-term compliance with specific program and fiscal requirements. The result is that TWC oversight may duplicate the detailed monitoring done by the local boards, instead of assessing or developing the local boards' overall capacity to effectively oversee these funds and services.

The recommendations in this report are designed to address these problems, and others related to TWC's child care services, unemployment insurance, and proprietary schools.

Two other areas were examined as part of the Sunset review of TWC, but without the development of recommendations in this report. First, Sunset staff examined the roles and responsibilities of TWC and the Department of Human Services (DHS) regarding welfare recipients in need of employment and training services. Because DHS is subject to Sunset review this biennium, any recommendations regarding the services that cut across these two agencies were postponed until the completion of the staff review of DHS in November 2002.

Second, the solvency of the Unemployment Compensation Fund continues to be an important issue in this state, especially considering that the Fund is predicted to become insolvent in November 2002. Sunset staff recognized the importance of this issue and examined various methods for increasing trust fund reserves. However, given the broad policy and significant tax implications for the State, and the fact that a House interim committee is specifically examining this issue, Sunset staff decided to await further legislative direction before considering any recommendations in this area.

A summary follows of the Sunset staff recommendations on the Texas Workforce Commission.

Issues / Recommendations

Issue 1 A Three-Member, Full-Time Commission Is No Longer Necessary and Results in Operational Confusion, Costs, and Delays.

Key Recommendations

- Replace the three-member, full-time Commission with a seven-member, part-time Commission to govern the Texas Workforce Commission.
- Require the Commission to clearly define the roles of Commission members and agency staff.
- Create a part-time, three-member Board of Appeals to handle the second level appeals stage for unemployment insurance.
- Establish a Local Workforce Board Advisory Committee to advise TWC on the programs, policies, and rules that affect the boards and local workforce operations.

Issue 2 TWC Has Yet to Fully Engage Its Primary Customer, Employers, In the Development of Workforce Policies and Services.

Key Recommendations

- Clarify that employers are TWC's primary customer.
- Require TWC to create an Office of Employer Initiatives.
- Create an Employer Advisory Committee to advise TWC on the needs of employers and the effectiveness of agency policies.
- TWC should develop performance measures to track employer use of the agency's services.

Issue 3 Adult Education and Literacy Programs Are Not Well Positioned to Help Texans Get the Skills Necessary to Succeed in the Workforce.

Key Recommendations

- Transfer responsibility for adult education and literacy programs from the Texas Education Agency to the Texas Workforce Commission.
- Create an Adult Education and Literacy Advisory Committee at the Texas Workforce Commission.

Issue 4 Oversight of Local Boards Ensures Compliance But Needs to Focus on Helping Develop Local Capacity to Oversee Workforce Funds and Services.

Key Recommendations

- Require TWC to develop criteria to assess local workforce development boards' overall capacity to administer and oversee local funds and services.
- TWC should build on current efforts to ensure local boards have a single point of contact in the agency, and improve coordination of oversight between agency staff and local board staff.

Issue 5 Siloed Workforce Programs Make It Difficult for Many Texans to Receive Effective Services.

Key Recommendation

- Require TWC, in partnership with local workforce development boards, to phase in the integration of workforce programs and associated case worker functions by 2007.

Issue 6 TWC Has No Current Mechanism for Ensuring Outside Input on Its $425 Million Child Care Program.

Key Recommendations

- Create a Child Care Advisory Committee at the Texas Workforce Commission.
- TWC should charge the child care advisory committee with examining the child care allocation formulas, and providing recommendations on improving the formulas.
- TWC, with the advice of the child care advisory committee, should develop formal methods for developing the recommended state target for the number of children served, to be provided to the Legislative Budget Board; and for assigning local targets, to be adopted as rules.

Issue 7 TWC Is Not Taking Advantage of an Opportunity to Track the Impact of Subsidized Child Care in Helping Families Get Off, and Stay Off, Welfare.

Key Recommendation

- Require TWC to track employment-related outcomes of parents receiving subsidized child care.

Issue 8 Partial Transfers of Unemployment Compensation Experience Rates Unfairly Cost Texas Employers Millions Each Year.

Key Recommendations

- Authorize TWC to deny a partial transfer of unemployment compensation experience if TWC determines the acquisition or reorganization was done solely to qualify for a reduced tax rate by circumventing the experience rating system or eliminating chargebacks.
- Establish a six-month time limit for employers to file an application for a partial transfer due to an acquisition or reorganization.
- Prohibit partial transfers for part of an organization, trade, or business that cannot operate independently.

Issue 9 TWC Lacks the Authority Necessary to Protect Students From Unlicensed Proprietary Schools.

Key Recommendation

- Authorize TWC to issue a cease and desist order to bring an unlicensed proprietary school into compliance with state law.

Issue 10 Restrictions on the Tuition Protection Fund Limit TWC's Ability to Safeguard Students if a Proprietary School Closes.

Key Recommendations

- Increase the ceiling on the proprietary school Tuition Protection Fund from $250,000 to $500,000.
- Increase from $50,000 to $150,000 the amount that can be spent per school closure from the Tuition Protection Fund.
- Clarify that refunds from the Tuition Protection Fund depend on the amount of funds available, and that a full refund cannot always be guaranteed.
- Request removal of the $75,000 appropriations limit on the total amount that can be paid out from the Tuition Protection Fund in any single year.

Issue 11 Texas Has A Continuing Need for the Texas Workforce Commission.

Key Recommendation

- Continue the Texas Workforce Commission for 12 years.

Fiscal Implication Summary

This report contains several recommendations that would have a fiscal impact to the State. These recommendations are discussed below, followed by a five-year summary chart.

- ***Issue 1*** – Eliminating the full-time Commission and the costs associated with staffing and operating each of the members' offices would result in a savings of $1.9 million. The costs associated with travel and per diem expenses for seven part-time Commission members would be about $77,000 per year. Salaries and related expenses of the Board of Appeals, and three attorneys and one administrative assistant to staff the Board, would result in costs of about $332,000 per year, that would likely be paid from the Unemployment Administration Fund. Establishing a Local Workforce Board Advisory Committee would cost approximately $12,000 annually. These changes would result in an overall savings of $1.4 million in state and federal funds, and a reduction of 15 FTEs.
- ***Issue 2*** – Establishing an Office of Employer Initiatives would add five FTEs at a cost of $326,668 annually. Creating an Employer Advisory Committee would cost approximately $12,000 annually.
- ***Issue 3*** – Transferring adult education and literacy programs from TEA to TWC would result in a net savings of $870,000 to state amd federal funds, and a reduction of two FTEs. These savings would need to be redirected into services to avoid the loss of federal funds, and could serve approximately 2,178 additional adult education or literacy customers. Creating an Adult Education and Literacy Advisory Committee would cost approximately $12,000 annually.
- ***Issue 5*** – Streamlining workforce programs to support integrated services would result in administrative savings to state and federal funds of $4.2 million and a reduction of 35 FTEs, starting in fiscal year 2006. To avoid the loss of federal funds, these savings would need to be redirected into workforce services, but the number of additional customers that would be served could not be estimated for this report.
- ***Issue 6*** – Creating a Child Care Advisory Committee would cost approximately $12,000 annually.
- ***Issue 8*** – Reducing the unfair use of partial transfers relating to unemployment insurance taxes would prevent losses to the Unemployment Compensation Fund and indirectly reduce experience-related employers' UI tax rates, but these amounts could not be estimated for this report.
- ***Issue 10*** – Removing restrictions to, and increasing the balance of, the Proprietary School Tuition Protection Fund would have no net fiscal impact to the State. The associated costs of $125,000 per year for fiscal years 2004-2005 would be covered by fees paid by licensed proprietary schools.

Overall, these recommendations would result in net savings of $1.9 million for each of the first two years, and $6.1 million in each subsequent year. To avoid the loss of federal funds, a significant portion of these funds must be redirected from administrative support to direct customer services.

Fiscal Year	Cost to State and Federal Funds	Savings to State and Federal Funds*	Cost to Federal funds	Savings to Federal Funds	Cost to the General Revenue Fund	Savings to the General Revenue Fund**	Cost to the Tuition Protection Fund	Gains to the Tuition Protection Fund	Change in FTEs from FY 2001
2004	$326,668	$870,000	$409,000	$1,777,387	$48,000	$74,108	$125,000	$125,000	-12
2005	$326,668	$870,000	$409,000	$1,777,387	$48,000	$74,108	$125,000	$125,000	-12
2006	$326,668	$5,070,000	$409,000	$1,777,387	$48,000	$74,108	$0	$0	-47
2007	$326,668	$5,070,000	$409,000	$1,777,387	$48,000	$74,108	$0	$0	-47
2008	$326,668	$5,070,000	$409,000	$1,777,387	$48,000	$74,108	$0	$0	-47

*These savings to state and federal funds are required to be redirected into services.
**Includes $37,213 in appropriated receipts, interagency contracts, proprietary school fees, and administrative funds.

Sunset Staff Report

Texas Council on Workforce and Economic Competitiveness

Summary

The Texas Council on Workforce and Economic Competitiveness (the Council) strategically plans and evaluates workforce related services across a number of state agencies, including the Texas Workforce Commission, Texas Department of Economic Development, Department of Human Services, Texas Education Agency, and Higher Education Coordinating Board. The Council is administratively attached to and housed in the Office of the Governor. Sunset staff found that the Council has developed two five-year strategic plans, but has had difficulty resolving problems across member agencies, and gathering the data needed from these agencies to evaluate performance of the workforce system. However, the Council, or a very similar entity, must exist in Texas to meet federal Workforce Investment Act requirements and avoid the potential loss of $229 million in federal funds.

Texas would risk losing $229 million in federal funds if the Council is not continued.

Issue / Recommendations

Issue 1 While Needed, the Council Has Had Difficulty Resolving Member Agency Problems and Evaluating the Workforce System.

Key Recommendations

- Continue the Texas Council on Workforce and Economic Competitiveness for 12 years, but renamed as the Texas Workforce Investment Council.
- Designate agency executive directors, rather than board chairs, as the ex officio representatives of member agencies on the Council.
- Require the Council to focus on resolving problems that cut across member state agencies, and hamper the integrated and seamless delivery of workforce services in Texas.
- Require the Council to clearly identify the duties of each of the member agencies in implementing specific strategies of the Council's long-range strategic plan.
- Transfer the responsibility for establishing and maintaining an automated follow-up and evaluation system from the Council to the Texas Workforce Commission.

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TEXAS WORKFORCE COMMISSION

ISSUES / RECOMMENDATIONS

Issue 1

A Three-Member, Full-Time Commission Is No Longer Necessary and Results in Operational Confusion, Costs, and Delays.

Summary

Key Recommendations

- Replace the three-member, full-time Commission with a seven-member, part-time Commission to govern the Texas Workforce Commission.
- Require the Commission to clearly define the roles of Commission members and agency staff.
- Create a part-time, three-member Board of Appeals to handle the second level appeals stage for unemployment insurance.
- Establish a Local Workforce Board Advisory Committee to advise TWC on the programs, policies, and rules that affect the Boards and local workforce operations.

Key Findings

- Three, full-time Commissioners govern the Texas Workforce Commission, and hear appeals of unemployment compensation claims.
- Having three, full-time Commissioners creates confusion among TWC staff, and others, as to who is responsible and accountable for agency operations.
- Having full-time Commissioners is unnecessary and results in duplication, delays, and additional expenses.
- The Commission's posting practices for its weekly meetings limit public input and participation in the development of the state's workforce network.
- TWC does not have a formal mechanism for receiving input from the local workforce development boards.
- Other states' workforce agencies and other Texas agencies generally provide clearer separation between policymaking activities and other responsibilities.

Conclusion

TWC is the only state agency in Texas governed by three, full-time Commissioners that represent particular constituencies. The Sunset review evaluated the structure and role of the Commission in operating an integrated workforce development system and administering the State's unemployment compensation insurance program. The review concluded that a full-time Commission is no longer necessary to oversee the agency and its operations. The full-time Commission was originally established to govern the consolidation of 28 programs from 10 state agencies into a single agency, ensure the formation of 28 local boards to administer workforce services locally, and allow for the fair and timely consideration of appealed unemployment insurance (UI) cases. However, the programs have been consolidated, the local boards have been established, and the Commission does not spend a majority of its time on UI cases. Instead, Commission members have become directly involved in agency activities and in directing agency staff. This involvement has blurred the lines of accountability and responsibility between the Commission's role in setting policy and the staff's role in running the agency.

Replacing the full-time Commission with a seven-member, part-time one would help ensure that the Commission members are focused on developing policies for and overseeing the state's workforce network and not directly involved in the operations of the agency. Also, clearly defining the roles of the Commission members, Executive Director, and staff would eliminate confusion regarding ultimate accountability for the agency and its operations. Finally, higher authority UI appeals would be handled by a part-time, three-member Board of Appeals. Commissioners would be able to focus on their policymaking and oversight roles for the workforce network, and the Board of Appeals would ensure that UI appeals receive the due process they deserve.

Support

Three, full-time Commissioners govern the Texas Workforce Commission, and hear appeals of unemployment compensation claims.

- A three-member Commission oversees the Texas Workforce Commission (TWC). The three Commissioners serve full-time and represent certain constituencies as required by statute. One of the Commissioners represents labor, one represents employers, and one represents the public. The chart, *TWC Commissioners*, provides information about each Commissioner. The Governor appoints the Commissioners to staggered, six-year terms and designates the Chair to serve a two-year term.

TWC Commissioners

Name	Term	Representation	Hometown
Diane D. Rath, Chair	Appointed 9/96; Reappointed 6/01 - 2/07	Public	San Antonio, TX
Ron Lehman	7/98 - 2/03	Employers	Round Rock, TX
Terrence P. O'Mahoney	Appointed 7/97; Reappointed 2/99 - 2/05	Labor	Dallas, TX

- The Commission appoints an Executive Director to administer the daily operations of the agency. In addition, each Commissioner has five or six staff members to process and make recommendations regarding unemployment insurance appeal cases, keep the Commission members informed about the agency's programs and services, answer constituent calls, and manage the daily operations of the Commissioners' offices. These staff members include attorneys, program specialists, and executive assistants, and report directly to the respective Commissioners.

- The Commission ensures that the agency effectively carries out its two main functions – operating an integrated workforce development network through the consolidation of job training, employment, and employment-related educational programs; and administering the unemployment compensation insurance program in Texas by serving as the State's employment security agency.

- To effectively administer the unemployment insurance (UI) program, TWC must offer an opportunity for a fair hearing before an impartial tribunal for persons whose claims are denied.[1] TWC's UI Appeals Department, or the appeal tribunal, handles the first level appeals process, which includes an impartial hearing and determination. Parties dissatisfied with the decision may file an appeal with the Commission. The Commissioners can affirm, reverse, remand to the appeal tribunal, or order staff to rehear and resubmit the case. In fiscal year 2001, 59,184 appeals were resolved by the appeal tribunal, and 11,604 were appealed further to the Commission itself.

  The Commissioners rely on information and recommendations from the Commission Appeals Department and the Commissioners' staff attorneys on deciding cases or pulling cases for discussion in the weekly Commission meetings. On average, 250 cases are appealed to the Commission each week. All of the cases are reviewed for merit and legal sufficiency, and read and voted on each week. However, only about 10 to 15 cases are debated by the full Commission.

Having three, full-time Commissioners creates confusion among TWC staff and others as to who is responsible and accountable for agency operations.

Clear lines of authority and responsibility are hard to discern at TWC.

- Clear lines of authority, responsibility, and accountability are hard to discern at TWC. Commissioners often do not work through the Executive Director, and instead exercise direct authority over staff and staff functions. Commissioners routinely delegate responsibility and accountability directly to agency staff instead of holding the Executive Director accountable for the agency's operations. This undermines the Executive Director's authority and requires staff to be accountable to four bosses.

- Without clear lines of authority, the Commission cannot adequately hold the Executive Director or staff accountable for implementing the policies set by the Commissioners. Because the TWC Commissioners operate directly with staff instead of through the Executive Director and are directly involved in agency activities, responsibility for the operations of the agency is diffused between the Commissioners and the staff.

- Trying to meet the expectations of three Commissioners, their staffs, and the Executive Director is extremely difficult and confusing for agency staff, especially when staff receive separate and sometimes different directives for agency projects and activities. Instead of coming together and deciding to pursue specific projects, defining the projects' desired outcomes, and allowing the Executive Director and agency staff to carry out the projects, the Commissioners expect agency staff to work directly with each of them and their staffs individually to develop and implement agency projects and activities.

- Other entities that deal with the agency have difficulty determining who is in charge as well. The Sunset review found that most of these entities, including local workforce development boards and other local workforce service providers, would prefer to have a single point of contact, such as the Executive Director, when dealing with the agency. However, because TWC's Executive Director cannot administer most agency operations without the approval of the Commission members, most entities dealing with the agency tend to work directly with the individual Commissioners when trying to get something done.

Most entities tend to deal directly with individual Commissioners rather than the Executive Director.

Having three, full-time Commissioners is unnecessary and results in duplication, delays, and additional expenses.

- Having three, full-time members to oversee the Texas Workforce Commission is a holdover from the agency's predecessor, the Texas Employment Commission, which was originally necessary to allow for the fair and timely consideration of appealed UI cases. Full-time Commissioners were needed to be able to meet weekly to decide the large number of UI appeals cases. Today, the Commissioners work full-time at the agency, but their UI policy work and appeals caseload does not require their full-time attention. As a result, Commissioners often become involved in agency activities that could be performed by staff and overseen by the Executive Director.

- Because the Commissioners are involved in many of the agencies' activities, the development, approval, and implementation of these activities must go through multiple levels of review by each of the Commissioners, their staffs, the Executive Director, and finally, the Commission as a whole. Having multiple layers of review and approval is duplicative and time consuming.

  Until recently, concepts and approaches for projects and duties had to be discussed individually with each of the Commissioners' offices. If disagreements between Commissioners or the Commissioners' staffs occurred, TWC staff were responsible for attempting to resolve these differences. If differences remained, staff worked directly with the Commissioners to seek resolution.[2] Agency staff had to constantly negotiate and build consensus among the three Commissioners and their staffs to successfully complete projects and carry out agency duties. Negotiating and building consensus among each of the Commissioners and their staffs, as well as the Executive Director, could take weeks or months, depending on the activity.

However, the agency's recent interpretation of an Attorney General's Opinion from November 2000 now also prevents Commission members' staff from communicating with each other or TWC staff on public business unless the communication occurs in a posted, public meeting. Commissioners or Commission members' staff can only receive information, ask questions, or receive questions from agency staff on an individual basis.[3] This interpretation means that the Commissioners and their staffs must meet in a posted meeting anytime they discuss agency policies, programs, or activities.

Multiple levels of review and approval have delayed implementation of workforce programs.

- Before the recent interpretation, the multiple levels of review and approval among TWC staff and the Commissioners' offices could cause significant delays from the time a workforce project or initiative was approved by the Commission to when the Request For Proposal (RFP) for the project was actually released. TWC staff, and the three Commission members and their staffs had to reach a consensus with regards to the expectations and framework of the project before an RFP could be released. Reaching this consensus could delay projects for weeks or even months. U.S. Department of Labor staff indicated that having this multi-layered development and approval process was time consuming and had, at times, delayed the implementation of some workforce programs.[4] The new approach followed by the Commission and its staff is too new to determine whether this situation will improve.

- Maintaining three, full-time Commissioners, each with their own staff, as well as an Executive Director is costly for the agency. The agency has budgeted about $1.9 million in fiscal year 2002 to fund the Commissioners' salaries, their staffs, and operating functions.

  In addition, staff members, especially division directors and senior level staff, spend a significant amount of time and effort preparing for and attending the weekly Commission meetings. In the past, the weekly Commission meetings were necessary to fully discuss and decide on the large number of appealed UI cases. However, the weekly meetings now consist mainly of agency-related agenda items that division directors and senior level staff must be present for and prepared to discuss, in case the item is taken up at a meeting. At least 20 division directors and senior level staff members are present at the weekly Commission meetings, regardless of whether they are scheduled to present to the Commission or not.

Having three, full-time Commissioners, and their staffs, is costly.

Vague posting practices limit public input on TWC's programs and services.

The Commission's posting practices for its weekly meetings limit public input and participation in the development of the state's workforce network.

- The Open Meetings Act requires the Commission to post its weekly meetings in advance. To comply, the Commission posts very broad and general agendas that vary little week to week. The same items appear on the agenda each week, but the Commission does not necessarily take every item up for discussion or action. The item is placed on the agenda in case the Commission decides to discuss it. The public has no way of knowing which items will be discussed in which meeting, thus discouraging public input on the agency's functions and activities.
- A review of TWC Commission Meeting Minutes from January 3, 2001 through January 2, 2002, showed that a majority of the agendas included items that were not taken up for consideration; and, during these approximately 45 Commission meetings, only seven people offered public input on the agency's programs and services.[5]

TWC does not have a formal mechanism for receiving input from the local workforce development boards.

- The 28 local workforce development boards are TWC's main partners in administering and overseeing workforce programs and services in the state. The local boards spent almost $800 million received from TWC in fiscal year 2001 implementing workforce services for employers and workers in their local communities.
- The local boards provide input to TWC through a variety of ad hoc mechanisms such as the Commission's public hearings and strategic planning process, as well as weekly conference calls between the local boards and TWC staff. The local boards have also established Workforce Leadership of Texas, an organization made up of the 28 local boards. Each board is represented by one board member and the board's director. This organization works to enhance the workforce system through awareness, involvement, and continuous improvement. Workforce Leadership of Texas, in coordination with TWC, established four committees to provide input and assistance to TWC regarding rural expansion, legislation, TWC local staff, and policy.[6]
- TWC lacks a formal mechanism for the local boards to provide input directly to the Commission on policies that affect the boards and the local workforce delivery system. Although TWC solicits local board input through various mechanisms, several local boards did not feel that they were involved in developing plans, policies, rules, and performance measures that affected the boards directly.[7] The local boards also indicated that when TWC did involve them in

these activities, it usually happened once the plans, policies, and rules had been developed, not during development. In addition, the local boards stated that they often did not have much time to offer input on the policies and rules.

Local boards do not have a formal way to provide input to TWC.

Other states' workforce agencies and other Texas agencies generally provide clearer separation between policymaking activities and other responsibilities.

- In most other states, the commissions or boards that oversee and administer the unemployment compensation insurance program are not responsible for hearing second level UI appeals.[8] In fact, many of the larger states that typically have more unemployment insurance claims and appeals, including California and New York, use a separate Appeals Board to conduct the second level appeals for UI cases.

  Separating the UI administration and higher authority appeals functions allows the commissions or boards responsible for administering the UI program to focus specifically on their policymaking roles. In addition, the separate Boards of Review or Boards of Appeals are able to focus solely on providing due process to those UI cases appealed from the lower appeal tribunal.

- Governor-appointed, part-time policymaking boards or commissions govern most other Texas state agencies and have long been established as a way of ensuring accountability of state agencies and their activities. Part-time policymaking boards or commissions oversee more than 110 of the approximately 130 state agencies in Texas, excluding legislative, judicial, and higher education agencies. These part-time policymaking boards and commissions oversee other complex state agencies like the Texas Department of Health, the Texas Department of Criminal Justice, and the Texas Department of Mental Health and Mental Retardation, whose diverse programs and services, as well as rulemaking responsibilities, are comparable to TWC's.

  These agencies establish clear lines of authority, responsibility, and accountability by having the governing body set the overall policy for the agency and hold the Executive Director accountable for implementing the policy. The Executive Director holds agency staff accountable for carrying out the day-to-day operations required to implement the policy. To keep these responsibilities separated, the Executive Director, not members of the governing body, should have authority over staff and staff functions.

Part-time policymaking bodies govern many other complex state agencies.

Recommendation

Change in Statute

1.1 Replace the three-member, full-time Commission with a seven-member, part-time Commission to govern the Texas Workforce Commission.

The seven-member Commission, appointed by the Governor, confirmed by the Senate, would include:

- three members representing the public;
- two members representing employers; and
- two members representing labor.

This recommendation would replace the three, full-time Commissioners with seven, part-time Commission members. The Governor would appoint the Chair. Establishing a part-time policymaking body to oversee the agency would ensure that the Commission members are focused on developing policies for and overseeing the state's workforce network and not directly involved in the operations of the agency. With a majority of public members, members who represent particular constituencies could not ultimately direct the Commission's policies and decisions. This recommendation would also reduce confusion regarding the management of the agency because a part-time Commission is less likely to be involved in the daily operations of the agency.

Establishing a part-time policymaking body would also improve the agency's ability to more quickly accomplish its activities. This recommendation would eliminate the duplication and delays that occur in trying to carry-out agency activities through negotiation and consensus building among the three Commissioners, their staffs, and an Executive Director.

1.2 Require the Commission to clearly define the roles of Commission members and agency staff.

The recommendation would require the Commission to develop and adopt rules that specifically outline the purpose and functions of the Commission and the responsibilities of the Executive Director and agency staff. These rules would establish clear lines of authority, responsibility, and accountability among all parties. The Commission should be responsible for setting overall policy for the agency and hold the Executive Director accountable for implementing the policy. The Executive Director would hold agency staff accountable for carrying out the day-to-day operations required to implement the policy. This recommendation would therefore eliminate confusion regarding responsibility for running the agency.

1.3 Create a part-time, three-member Board of Appeals to handle the second level appeals stage for unemployment insurance.

This recommendation would create a part-time, three-member Board of Appeals to consider appealed unemployment insurance (UI) cases. The Board of Appeals would handle higher authority unemployment insurance appeals. The three Board members would be appointed by the Governor, and confirmed by the Senate, for six-year terms. The members would represent labor, employers, and the public. The public member would serve as Chair. The Board of Appeals would serve part-time and meet at least weekly, to decide appealed UI cases in a timely manner, consistent with the time frames and deadlines required by the U.S. Department of Labor.

A four-member staff would assist the Board in its duties - three attorneys, one for each of the Board members, and an administrative assistant. In addition, TWC's current Commission Appeals staff would continue to perform its functions related to UI appeals, but would submit its work to the Board of Appeals, instead of the Commission. The Board of Appeals would issue precedent cases to be used by staff as a guide for use in similar UI cases; however, these precedents would have to be approved by the full Commission. The Commission would also be required to consult with the Board of Appeals when setting policy and developing rules regarding unemployment insurance.

1.4 Establish a Local Workforce Board Advisory Committee to advise TWC on the programs, policies, and rules that affect the boards and local workforce operations.

The advisory committee, appointed by the Commission, should consist of nine representatives from the Workforce Leadership of Texas. Six of the members should be local workforce development board Chairs and three members should be local board Directors. The Commission also should ensure balanced representation from different geographic workforce development areas. The Committee should report directly to the Commission and meet at least quarterly. The advisory committee would be responsible for providing input, advising the Commission, and commenting on proposed rules and policies that affect the boards and local operations.

Impact

These recommendations would establish a new governing structure for the Texas Workforce Commission, and ensure that the agency's programs and activities are overseen and implemented in a fashion that is the standard for state government. The seven-member, part-time Commission would meet as necessary to develop policy and oversee the workforce network. The responsibility for handling second level UI appeals would now rest with a newly created Board of Appeals within TWC. Removing the responsibility for higher authority appeals would allow the Commission to focus on its policymaking and oversight responsibilities for the workforce network. Not having to meet weekly for UI cases would also allow the Commission to post more representative meeting agendas that better inform the public as to what will be discussed and decided at each Commission meeting, which will increase public input and participation in the process.

Fiscal Implication

Overall, these recommendations would result in savings of $1.4 million in state and federal funds. The salaries of the three, full-time Commissioners would be eliminated as well as the costs associated with staffing and operating each of the Commission members' offices. The budgets for these offices total about $1.9 million for fiscal year 2002. The costs associated with the travel and per diem expenses for the seven, part-time Commission members are estimated to be about $77,000 each year.

Establishing a part-time, three-member Board of Appeals to handle the second level appeals stage for unemployment insurance cases is estimated to cost about $332,000 each fiscal year. This amount would include the salaries and related expenses of the three, part-time Board of Appeals members, and three attorneys and one administrative assistant to staff the Board. These costs would likely be paid from the unemployment administration fund. Finally, the establishment of the Local Workforce Board Advisory Committee would have a minimal fiscal impact to the State. Travel costs for the committee to meet quarterly are estimated to be $12,000 annually.

Fiscal Year	Savings to Federal Funds	Cost to Federal Funds	Savings to General Revenue	Cost to General Revenue	Savings to Other Funds*	Change in FTEs from FY 2001
2004	$1,777,387	$409,000	$36,895	$12,000	$37,213	-15
2005	$1,777,387	$409,000	$36,895	$12,000	$37,213	-15
2006	$1,777,387	$409,000	$36,895	$12,000	$37,213	-15
2007	$1,777,387	$409,000	$36,895	$12,000	$37,213	-15
2008	$1,777,387	$409,000	$36,895	$12,000	$37,213	-15

*Includes appropriated receipts, interagency contracts, proprietary school fees, and administrative funds.

1 Office of Workforce Security, *Administration*, http://workforcesecurity.doleta.gov/unemploy/uilawstable.asp. Accessed: February 11, 2002.

2 Texas Workforce Commission, *Commissioners' Requests to Staff*, Executive Staff Retreat (Austin, Texas, October 2001).

3 Memorandum from Jerry Hill, General Counsel to TWC Commissioners Diane Rath, T.P. O'Mahoney, and Ron Lehman, March 15, 2002.

4 Interview with U.S. Department of Labor staff (Dallas, Texas, January 8, 2002).

5 The review did not include the minutes from the federally-required public hearings on the state child care plan which were held June 4-7, 2001.

6 Workforce Leadership of Texas, *Organizational Structure*, and *Committees*, www.workforceleadership.org. Accessed: April 30, 2002.

7 Texas Sunset Advisory Commission, survey of local workforce development boards, November 2001.

8 Office of Workforce Security, *Administration*, http://workforcesecurity.doleta.gov/unemploy/uilawstable.asp. Accessed: February 11, 2002.

Issue 2

TWC Has Yet to Fully Engage Its Primary Customer, Employers, In the Development of Workforce Policies and Services.

Summary

Key Recommendations

- Clarify that employers are TWC's primary customer.
- Require TWC to create an Office of Employer Initiatives.
- Create an Employer Advisory Committee to advise TWC on the needs of employers and the effectiveness of agency policies.
- TWC should develop performance measures to track employer use of the agency's services.

Key Findings

- TWC provides a variety of services to employers, such as job-matching, customized training, and assistance during mass layoffs.
- TWC and local workforce development boards recognize the importance of engaging employers in the workforce system.
- Many employers do not perceive TWC as a resource for finding qualified workers.
- Employers have limited input into the development of workforce policies and services at the state level.
- TWC lacks performance measures that evaluate the workforce system's role in employer engagement.

Conclusion

Since the creation of TWC in 1995, the agency has focused on setting up the local boards, devolving workforce programs, ensuring appropriate oversight, and implementing both welfare and workforce reforms. TWC recognizes the need for a focus on employers, but because of these other priorities, TWC has not devoted the staff or time necessary to focus on employer engagement. However, TWC can only meet the needs of job seekers by understanding and better meeting the needs of employers. With the local boards firmly established, the Sunset review focused on how TWC and the local boards could make employer engagement a top priority. The creation of an Office of Employer Initiatives and an Employer Advisory Committee would help TWC better engage Texas employers, and achieve the vision of being seen as a quality supplier of workforce solutions.

Support

TWC provides a variety of services to employers, such as job-matching, customized training, and assistance during mass layoffs.

TWC can only meet the needs of job seekers by understanding and meeting the needs of employers.

- State law requires TWC to meet the needs of the businesses of the state - potentially all of the 458,141 employers in Texas.[1] TWC can only meet the needs of job seekers by understanding and meeting the needs of employers. Working closely with employers ensures the identification of job opportunities and training needs necessary to help job seekers achieve self-sufficiency or career advancement.
- TWC serves employers by providing direct services, as shown in the chart, *TWC Direct Employer Services*. TWC's most popular direct employer services include the Skills Development Fund, which provides customized skills training for businesses, in partnership with local educational institutions; and the Texas Business Conferences, presented by the staff of the Commissioner representing employers. The conferences provide information important to employers, such as unemployment insurance, wage and labor laws, and Work Opportunity Tax Credits.
- The federal Employment Services (ES) program funds key direct employer services such as matching job seekers to employers, Web-based systems to place job orders and access labor market information, and staff-assisted services like job fairs and on-site recruitment at local workforce centers.[2] The federal Workforce Investment Act (WIA) funds activities that assist employers during mass layoffs.

  Employers can access additional services, including labor market information, and the unemployment insurance tax and claims programs. Employers also indirectly benefit from job seeker programs offered by TWC, such as job training programs that increase workers skills, and child care, which can promote employee retention.
- The Employer Commissioner uses his office to provide services to employers. Staff present the Texas Business Conferences; respond to toll free hotline calls from employers, regarding issues such as labor law and unemployment insurance tax questions; write a free quarterly publication, "Texas Business Today," that covers workforce development and labor law issues; and distribute free handbooks that provide general information on employment-related issues.
- Approximately $54.7 million is available for direct services to employers, comprising 5 percent of TWC's $1 billion budget. Federal funds make up almost 87 percent of the agency's funding,

limiting TWC's ability to easily direct additional resources to serve employers.

TWC Direct Employer Services				
Program	**Service**	**FTEs**	**FY 01 Federal Funding**	**FY 01 State Funding**
Customized Training	The Skills Development Fund provides customized training for businesses. In FY 01, TWC awarded $12.6 million in training grants to 241 employers and 19 consortia, resulting in the creation or upgrade of 13,130 jobs.	3.3	0	$12.3 million
	The Self-Sufficiency Fund finances job training for welfare recipients. TWC awarded $11.9 million to 195 employers, resulting in the creation of 3,607 jobs.	2.7	$11.3 million	0
Rapid Response (WIA)	TWC staff provide assistance to employers and workers during mass layoffs. In FY 01, staff handled 798 layoffs affecting more than 69,206 workers.	62.3	$13.7 million*	0
Employment Services (ES)	TWC provides services, such as job matching and job fairs, in the local workforce centers. In FY 01, 1.4 million job seekers and employers received services.	298.0	$12.8 million*	0
Apprenticeship	TWC funds work-training programs, providing employers with defrayed training costs and an expanded workforce pool, while students gain paid work experience and learn skilled crafts. In FY 01, 1,356 employers trained 3,605 apprentices. All graduates found jobs in their field.	1.1	0	$1.7 million
Alien Labor Certification	TWC processes applications for employers wanting to hire foreign workers. In FY 01, TWC handled more than 10,805 such applications.	28.3	$1.1 million	0
Office of the Employer Commissioner	Staff of the Employer Commissioner provide services to employers. In FY 01, 7,200 employers attended 15 conferences held around the state, approximately 36,000 employers called the employer hotline, 85,000 employers subscribed to "Texas Business Today," and 25,000 employers received handbooks on employment-related issues.	6.0	$553,376	$473,705
Work Opportunity Tax Credits	TWC administers federal and state tax credit programs that reduce tax liability for private employers who hire workers from targeted groups. In FY 01, TWC awarded $155 million in credits.	20.2	$779,237	0
Total		**421.9**	**$40.2 million**	**$14.5 million**

*TWC estimated funding amounts.
Source: Texas Workforce Commission

Local boards develop customized services for employers that solve local hiring and training problems.

TWC and local workforce development boards recognize the importance of engaging employers in the workforce system.

- Workforce experts emphasize two key reasons for employer involvement in the public workforce system: employers provide jobs, and inform the system of the skills job seekers need to secure jobs.[4] Engaging employers increases understanding of employer needs and allows customized services to be developed in partnership with employers and industry groups. Gains from employer-focused partnerships can include the creation of jobs, training for jobs in local demand for job seekers, and an increase in skilled workers for employers.
- The Employer Commissioner encourages local boards to work closely with employers, so that TWC and the boards can target limited resources on the most critical employer needs. For example, when meeting with local boards, the Commissioner stresses the need to identify shared skill sets across industries, and to train job seekers on skills common to multiple employers, rather than focusing on hundreds of targeted jobs and industries.
- Sunset staff found that local workforce development boards are increasing efforts to engage employers and remove the stigma of TWC being a "welfare agency." Local boards market and provide direct services to local employers, but also target resources for employer engagement and the creation of customized services that solve local hiring and training problems. The boards play a support role in collaborations with local businesses, instead of a leadership role, so that employers can steer training and economic development efforts in a way that best serves employer needs.
- For example, the Gulf Coast Workforce Board (GCWB) supported efforts to increase the number of registered nurses in the Houston area by securing a grant and providing an experienced account representative to a coalition of health care industry CEOs. This method proved more successful than if GCWB had offered direct services, such as job-matching, to the health care industry. The textbox, *The Houston-Galveston Health Services Alliance*, describes GCWB's efforts with the health care industry to develop solutions for training and recruiting needs.

The Houston-Galveston Health Services Alliance

Texas faces an acute shortage of registered nurses (RNs) - a projected 39,000 RNs statewide. To address the shortage, the Gulf Coast Workforce Board (GCWB) partnered with health-care industry CEOs to form the Health Services Steering Committee. The Committee identified a lack of nursing instructors as a key barrier to increasing the number of nurses in the area. The GCWB secured a $900,000 grant from TWC and provided an experienced health industry account executive to work with the Committee. The grant, and additional funding from the hospitals, helped pay for a work-school program that allows existing staff to become RNs and current RNs to teach in local nursing programs. As a result of these efforts, 72 nurses are currently working towards an RN degree, and a grant extension will allow 80 more to be enrolled.

Many employers do not perceive TWC as a resource for finding qualified workers.

- Recent surveys indicate that many Texas employers do not consider TWC as a resource for hiring needs. A survey of 851 businesses, conducted by the George Bush School of Government and Public Service at Texas A&M University, found that 72 percent of employers have never used TWC's job matching services, one of the key direct employer services available through workforce centers and Web-based applications. Sixty-eight percent of respondents had knowledge of job-matching services, but for a variety of reasons, chose not to use the services. Reasons included concern that TWC could not provide qualified workers and a lack of responsiveness of local workforce centers.[4]

  Results from a similar survey, conducted by the University of North Texas Survey and Research Center, found that 92 percent of respondents were not using TWC services. This survey also indicated that about 25 percent of respondents using TWC services were not satisfied with the screening of applicants or TWC's ability to understand employers' needs.[5]

A recent survey found that 72 percent of employers have never used TWC's job matching services.

- Even with record low unemployment during fiscal year 2000, only 8.7 percent of employers posted jobs with the local workforce centers.[6] Use dropped slightly in fiscal year 2001, with 8.1 percent of employers using TWC as a recruiting and hiring resource. Due to the economic downturn in many industry sectors in the current fiscal year, the percent of employers placing job orders through the local centers has decreased to 3 percent.

- Some employers who have used TWC's services expressed frustration that TWC does not meet their needs as a provider of qualified or desirable job applicants. Employers cited poor screening of job applicants, the amount of paperwork necessary to work with TWC, and poor customer service, especially with regard to the inability of staff to answer questions or return phone calls in a timely manner.

Employers express frustration that TWC does not provide qualified or desirable job applicants.

- TWC recently had a customer satisfaction survey conducted to measure the perceptions of employers using agency services. Results indicate that many employers contact TWC largely for unemployment insurance (UI) tax and claims purposes. The survey of 1,464 employers found that approximately 79 percent of respondents had contacted the agency's UI programs and were satisfied overall with TWC's UI services. However, less than one-third of respondents had accessed direct services such as job-matching and labor market information, suggesting that many employers may still not consider TWC as a resource for qualified workers or workforce information.[7]

- Many employers contacted as part of the Sunset review expressed concern that TWC's welfare focus impedes employer engagement with the Texas Workforce Network. TWC states that it is an employer-focused agency. However, TWC sends a mixed signal to both local boards and employers regarding the importance of employer needs by continuing to place emphasis on welfare reform initiatives.

Employers expressed concern that TWC's welfare focus impedes employer engagement.

Employers have limited input into the development of workforce policies and services at the state level.

- TWC states that the Texas Workforce Network's primary goal is to understand the needs of employers and to use that knowledge to develop services that meet those needs. However, other than the single Commissioner representing employers, TWC lacks a state-level forum for employer input, making it difficult to create customized services that meet employer needs.

- Local boards have a better understanding of employer concerns, because employers make up 51 percent of boards and advise board members on the training and hiring needs of local businesses. Having this employer input and involvement helps ensure that employer needs, ranging from customized training to public transportation for workers, drive local services and activities.

TWC lacks performance measures that evaluate the workforce system's role in employer engagement.

- TWC's goal of having an employer-driven workforce system does not align with current performance measures. Out of TWC's more than 100 performance measures, only three directly track employer-related outcomes or participation rates. TWC tracks the number of employers who place job orders with local workforce centers, and collects data for two other employer-related performance measures that evaluate customer service satisfaction.[8] None of these measures are key measures for the agency.

Out of TWC's more than 100 performance measures, only three track employer-related outcomes.

- Lack of employer-related measures result in job seeker needs driving the services and activities of TWC, and the local workforce boards. Although meeting job seeker performance requirements keeps TWC and the boards in compliance with federal and state law, such a focus fails to engage employers. Lack of employer engagement decreases an understanding of the State's businesses and industries, resulting in a workforce system that fails to produce workers possessing the skills and qualifications considered essential by employers.

- Six of the 12 local boards Sunset staff interviewed expressed concern that the lack of measures related to employer engagement make it difficult to officially document successful outreach to employers, or the development of partnerships with and customized services for employers.[9] Local boards feel that TWC disproportionally emphasizes the ability to meet welfare performance measures.

Recommendation

Change in Statute

2.1 Clarify that employers are TWC's primary customer.

TWC's enabling law should be amended to require the agency to:

- partner with the business community to identify key industries, skills needs, and employment opportunities;
- partner with the business community to develop services and programs that promote the development and advancement of skills in job seekers and workers; and
- support the business and community economic development activities of the local boards, and the State.

2.2 Require TWC to create an Office of Employer Initiatives.

This recommendation would help ensure that TWC has staff dedicated to employer engagement. The Office of Employer Initiatives should be modeled after TWC's Welfare Reform Initiatives Office, which is a high profile office that works with the Commissioners, reporting directly to the Executive Director. The new Office would be charged with establishing strong ties with employers and ensuring strong business involvement in the agency's activities. Activities of the Office could include the identification of best practices regarding employer engagement and services, coordination with local boards on employer-related services and activities, and linking with state and local economic development initiatives to best meet employer needs. The Office would not provide the direct employer services currently offered by TWC's Workforce Development Division.

2.3 Create an Employer Advisory Committee to advise TWC on the needs of employers and the effectiveness of agency policies.

This recommendation would increase employer engagement in the Texas Workforce Network. The advisory committee should consist of no more than nine members from small, medium, and large businesses; urban and rural regions; and employer members of local workforce development boards.

The committee, appointed by the Commission, would:

- provide expertise regarding employers' skills, training, and other workforce needs;
- inform the Commission of how the agency's programs, policies, and rules affect employers statewide; and
- provide guidance on any other issue areas defined by the Commissioners.

Management Action

2.4 TWC should develop performance measures to track employer use of the agency's services.

This recommendation would support TWC's efforts to prioritize employers' needs. Suggested measures could include the length of time it takes to find an employer a qualified worker, the number of employers that TWC retains as repeat customers, and the percentage of employers who list jobs with TWC. Local workforce development boards should be benchmarked against their starting point for these measures; the goal is improvement of that benchmark. Benchmarks should be set in collaboration with the local boards.

Impact

These recommendations would support TWC's efforts in making the agency an important resource for the employers and the businesses of the state. Using employer advisory committee input and devoting staff to employer engagement should help TWC better understand employers' needs statewide, and guide the development of effective, innovative programs and services. Placing increased focus on employers' needs should result in resources being directed toward better training, job opportunities, and career advancement for job seekers; and more qualified, skilled workers for employers.

Fiscal Implication

These recommendations would have a fiscal impact of $338,668 to the State. The costs of creating the Office of Employer Initiatives would, to the extent possible, be offset by cost-recovered fees from the Texas Business Conferences and the savings realized from the recommendations in Issue One of this report. Sunset staff estimates that five staff - one director, one executive assistant, and three program specialists - would be needed to carry out the activities discussed in the recommendation. The cost of the Office would be an estimated $326,668 annually, which includes salaries, benefits, equipment, and supplies. The creation of an Employer Advisory Committee would have a minimal fiscal impact. Existing staff resources could be used to support the committee. Travel costs for the committee, for quarterly meetings, would be $12,000 annually.

Fiscal Year	Cost to State and Federal Funds	FTEs
2004	$338,668	+5
2005	$338,668	+5
2006	$338,668	+5
2007	$338,668	+5
2008	$338,668	+5

[1] Texas Labor Code Ann., ch. 301, sec. 301.001; and Texas Workforce Commission (TWC), Labor Market Information staff, "*Question on Number of Businesses in Texas*," e-mail to Sunset Advisory Commission, March 5, 2002.

[2] U.S. Department of Labor, *One-Stop Employment Service*, http://workforcesecurity.doleta.gov/employ/empservices.asp. Accessed: March 21, 2002.

[3] Jobs for the Future, *Everybody Wins: Effectively Involving Business in Workforce Development (*Boston, MA, June 2001), pp. 1-2. Online. Available: www.jff.org/resources/publications. Accessed: November 6, 2001.

[4] Texas A & M University, George Bush School of Government and Public Service, *Working for Success: Report on Employer Satisfaction Survey* (College Station, TX, June 15, 2001), pp. 34-35.

[5] Angelou Economic Advisors, Inc., *Texas Workforce Marketing Strategy: Volume Two* (Austin, TX, May 1999), pp. 7-9.

[6] TWC, *FY 2002 Quarterly Report - Texas Commission on Workforce and Economic Competitiveness Core Outcome Measures*, January 28, 2002.

[7] University of Texas, School of Social Work, *Survey of Organizational Excellence* (Austin, Texas, May 2002).

[8] Workforce Leadership of Texas, *Improving Performance Measurement for Texas Workforce Development Boards: Phase One*, February 2002, p. 3.

[9] Interviews, local workforce development board members and staff (Sunset field visits, November 2001 - January 2002).

Issue 3

Adult Education and Literacy Programs Are Not Well Positioned to Help Texans Get the Skills Necessary to Succeed in the Workforce.

Summary

Key Recommendations

- Transfer responsibility for adult education and literacy programs from the Texas Education Agency to the Texas Workforce Commission.
- Create an Adult Education and Literacy Advisory Committee at the Texas Workforce Commission.

Key Findings

- Texas funds adult education and literacy programs through two agencies, the Texas Education Agency and the Texas Workforce Commission.
- Many adult Texans lack basic education and literacy skills, of which current programs serve less than 4 percent.
- Distributing limited adult education and literacy funds through separate agencies is inefficient, causing potential problems for both customers and providers at the local level.
- TEA's failure to track customer outcomes prevents the State from assessing the impact and cost effectiveness of its investment in adult education and literacy training programs.
- Having TWC responsible for adult education and literacy services would better position the State to effectively ensure that adult Texans have the basic skills necessary to succeed in the workplace.

Conclusion

The State spends almost $50 million across two agencies, the Texas Education Agency (TEA) and the Texas Workforce Commission (TWC), for adult basic education and literacy programs that serve less than 4 percent of Texans in need. However, TEA's failure to provide statutorily required outcome information means the State cannot assess the effectiveness of this funding in helping adult Texans get a job, advance in the workplace, earn more money for their families, or go on to receive advanced skill training at the college level. In addition, splitting adult education services and funding between two agencies creates inefficiencies that take money away from services for Texans who need to improve their basic education and literacy skills.

Sunset staff concluded that the State would be better positioned to target and track the impact of these critical services by merging adult education and literacy programs into a single agency whose primary mission is workforce development. TWC would thus be accountable for implementing effective employment, basic adult education, and training programs. TWC has the capacity to contract for these services effectively and to produce required outcome measures to help evaluate the effectiveness of adult education programs. The result of these efforts would ensure that more Texans who participate in the State's adult education and literacy services receive the basic skill training needed to become self-sufficient and successfully compete in today's economy.

Support

Texas funds adult education and literacy programs through two agencies, the Texas Education Agency and the Texas Workforce Commission.

- Adult education programs provide training in literacy, the English language, and basic academic skills up through the high school level. Services are provided to youth or adults who have not completed high school or the GED. Programs provide three types of services shown in the chart, *Adult Education Services*. Some adult secondary education programs focus on education skills to facilitate GED success.

Adult Education Services: FY 2001	
Service Type	Number of Students
English as a Second Language (ESL)	54,812
Adult Basic Education (ABE)	44,571
Adult Secondary Education (ASE)	10,355

Adult education programs provide training in literacy, the English language, and basic academic skills.

- The Texas Education Agency is the primary agency responsible for adult basic education and literacy services in Texas. TEA considers adult education programs to be an extension of the public school entitlement, and targets any undereducated adult for services. The Division of Adult Education and Community Education is responsible for developing adult education and literacy program policy, instructor training, curriculum, and monitoring grants to local entities providing services. The Division is not responsible for GED testing.

  In fiscal year 2001, TEA received $44.4 million to contract for adult education and literacy services through two programs, Workforce Investment Act: Title II Adult Education and Family Literacy Services (WIA: Title II); and the Temporary Assistance for Needy Families (TANF) Adult Education program. The chart, *Adult Education and Literacy Programs,* provides more detail of these programs.

  Currently, TEA delivers adult education and literacy services through 55 regional fiscal agents. Organizations within each region compete for that particular region's funding through a grant process. TEA awards grant funding to fiscal agents that provide services and may also contract locally with other eligible adult education providers.

Adult Education and Literacy Programs: FY 2001						
Agency	Program	Number Served	Federal Funding (millions)	State Funding (millions)	Number of State FTEs
TEA	Adult Education and Family Literacy Programs (WIA: Title II)	103,204	$29.0	$6.9	12
TEA	TANF Adult Education and Literacy Program	5,814	$6.5	$2	2
TWC	TANF Adult Education and Literacy Program	1,898	$2.5	0	0
TWC	Workforce Literacy Projects	271*	0	$0.2	1
	Total	111,187	$38	$9.1	15

*TWC estimated total enrolled as of 3/10/02
Source: TEA, TWC

- TWC funds two separate adult education and literacy initiatives that target people who need help getting a job, or increasing their wages - TANF adult education, and Workforce Literacy projects. Under the TANF program, TWC provides funding to 28 local workforce development boards that, in-turn, contract with local organizations to provide adult education and literacy services to welfare recipients.

  TWC's Office of Workforce Adult Literacy oversees the development, research, and evaluation of workforce literacy projects, in partnership with the local boards. The projects focus on literacy skills directly related to the workplace, including projects that have targeted Spanish-speaking dislocated workers. TWC plans to increase workforce literacy funding to $1.2 million in fiscal year 2003 and expand the number of projects from four to fifteen. In addition to these adult education and literacy initiatives, TWC, via the local boards, also refers many one-stop workforce center customers to TEA supported adult education and literacy services.

Many adult Texans lack basic education and literacy skills, of which current programs serve less than 4 percent.

An estimated 3.5 million Texas adults lack adequate literacy skills.

- In fiscal year 2001, state and federally funded adult education programs in Texas served 111,187 adults, accounting for less than 4 percent of the estimated number of Texans that lack adequate literacy skills or basic education.[1]

  An individual's ability to read, write, speak English, and compute and solve problems at appropriate levels is critical for Texans' ability to function on the job, in the family, and in society. Without these skills, workers cannot compete for higher paying jobs to support their families. In addition, business is left without the skilled workers needed to compete in today's more technologically advanced economy.

- Texas has some of the highest rates of illiteracy in the U.S.[2] About 3.5 million, or 27 percent of Texas' adults, fall into the lowest level of literacy.[3] Estimates of illiteracy along the Texas-Mexico border go as high as 60 percent of the population.[4] The chart, *Lowest Level* *of Literacy,* shows what tasks a typical adult in the lowest level of literacy can and cannot be expected to perform.

Lowest Level of Literacy

The National Adult Literacy Survey uses a scale of literacy levels from 1-5 to help explain an individual's literacy skill level. Level 1 is the lowest level of literacy.

Individuals in Level 1 usually can:

- Sign their name
- Total a bank deposit slip
- Identify a country in a short article
- Locate a piece of information in a sports article
- Locate the expiration on their driver's license

Individuals in Level 1 usually cannot:

- Locate eligibility from a table of employee benefits
- Total costs from an order form
- Locate an intersection on a street map
- Fill out a government benefits application
- Locate two pieces of information in a sports article
- Understand an appliance warranty

Source: National Adult Literacy Survey, 1992.

- Workers cannot advance into technical training or higher education programs that lead to increased earnings without basic educational skills and high school credentials. However, in 2000, more than three million Texans, or 22 percent of the population above 18 years old, had not completed a high school education, ranking Texas 46th nationally.

- Trends in the Texas economy, according to TWC, have shifted towards industries that require specialized education and skills.[5] Unfortunately, the 2000 U.S. Census shows that a large number of Texans lack the education and skills needed to compete for higher paying jobs and leave business with a lack of the skilled and educated workforce required in today's economy. Further business growth in Texas will require the State to address the current shortfall of qualified skilled workers.

Many Texans lack the education and skills needed to compete for higher paying jobs.

Distributing limited adult education and literacy funds through two separate state agencies is inefficient, causing potential problems for both customers and providers at the local level.

- Using two separate state agencies to flow funding to local adult education providers creates administrative duplication of planning, contract monitoring, and oversight. These inefficiencies can be confusing to local providers and drain limited resources away from services for Texans who need to improve their basic skills to get a better job and support their families.

- TEA plans across 55 regions statewide, while TWC uses its 28 local workforce development areas. Each of these overlapping regions assesses local needs and resources. Significant overlap results in planning, with both agencies attempting to work with many of the same providers. To coordinate across these regional boundaries, local boards may have to work with anywhere from one to seven different regional level TEA fiscal agents. This structure complicates planning, particularly for mutual workforce and adult education customers such as TANF recipients.

- Contracting with two different state agencies for similar services can be difficult for local providers. Sunset staff identified that in fiscal year 2002, at least 20 percent of TEA's adult education providers also received funding from TWC for adult education and literacy services. Many adult education providers operate with very small budgets, and making them go through two separate agency's grant processes takes up time and energy that could be better spent helping customers improve their literacy skills.
- In addition, TEA and TWC adult education and literacy funds often target the same customers. In fiscal year 2001, the State allocated $11 million in TANF funds through TWC and TEA to provide adult education and literacy services to customers on welfare or at-risk of going on welfare. Providers must navigate two separate contract processes, program rules, and reporting requirements to provide the same service to the same groups of people.

Both TEA and TWC provide adult education services to customers on welfare.

- Most importantly, this fragmented planning and contracting structure can be burdensome for the customer. Each agency uses separate computer systems that are not connected, making it difficult to track mutual customers, implement coordinated service delivery, and reduce possible duplication of efforts. Customers may be required to provide much of the same information twice, or have to take the same literacy assessment twice because TWC and TEA computer systems cannot communicate this information.[6]

TEA's failure to track customer outcomes prevents the State from assessing the impact and cost effectiveness of its investment in adult education and literacy training programs.

- State law has required TEA's adult education and literacy programs, along with the State's other workforce programs, to report on four basic outcome measures since 1993.[7] The outcome measures are shown in the chart, *State Required Outcome Measures*. TEA has failed to provide this outcome data for adult education programs, and is the only workforce partner agency not to provide this information for the customers it serves.[8] All the other workforce agencies, including the Higher Education Coordinating Board, Texas Workforce Commission, Texas Rehabilitation Commission, and Texas Commission for the Blind have complied with state law and reported this information for their workforce programs.

State Required Outcome Measures

- Entered Employment
- Retained Employment
- Wages Paid (earnings gain)
- Entered Post-secondary Education or Training

Source: Texas Government Code, Ann., ch. 2308, sec. 2308.153.

The State cannot assess the effectiveness of services due to TEA's failure to report employment-related program outcomes.

- In fiscal year 2001, TEA's adult education programs served 109,018 Texans, 54 percent of whom were not working at the time of program entry.[9] Yet, due to TEA's failure to track or report program outcomes, the State cannot assess the effectiveness of these services on assisting the ability of customers' to get a job, advance in the workplace, earn more money for their families, or go on to receive advanced skill training at the college level.[10]

Having TWC responsible for adult education and literacy services would better position the State to effectively ensure that adult Texans have the basic skills necessary to succeed in the workplace.

- As the State's workforce agency, TWC helps match employers with people that have the necessary skills to do the job. If job seekers do not have the basic skills necessary to do the job, TWC cannot meet the needs of its primary customers, workers, or employers. Therefore, *effective* adult basic education and literacy services are critical to TWC accomplishing its mission.

- While both TWC and TEA adult education programs emphasize work-related basic skills, TWC is in a better position to implement programs that meet both employer and worker needs. Adult education providers could use TWC and local boards' employer partnerships to help design programs and curricula that would ensure that student skills gained in class are directly transferable into the workplace. Students' ability to gain literacy skills, and use those skills to get a job and earn more money, would be improved by this type of program and curriculum design.

TWC is in a better position to implement programs that meet both employer and worker needs.

- Students and instructors could benefit from stronger partnerships between TWC, local boards, and adult education providers. Adult education registration, assessment, and even classes, could be accessed through the one-stop workforce centers. This would make participation more convenient for students, and allow for more communication between instructors and center staff on student progress.

- Having a single agency, such as TWC, responsible for implementing effective employment, basic adult education, and training programs would also provide increased accountability for the effective use of these funds. TWC has the financial capacity to oversee these expenditures and the computer capability needed to track and compile the required outcome measures to evaluate adult education programs. Policymakers would, for the first time, be able to effectively evaluate the ability of adult basic education services to help students get and maintain better paying jobs.

- Originally, House Bill 1863, passed by the Legislature in 1995, envisioned adult basic education and literacy services as a part of the newly consolidated workforce agency. While 28 programs from 10 agencies were combined, the transfer of adult education programs did not happen due to conflicting language in another bill.[11]

Originally, H.B. 1863 envisioned adult basic education and literacy services as part of TWC.

TWC now has the capacity to assume responsibility for this additional workforce-related program. TWC oversees more than $800 million in contracted funds, primarily for services delivered at the local level. TWC has established contractual relationships with many adult education providers, such as community colleges that participate in TWC's Skills Development and Self-Sufficiency Funds. Overseeing an additional $44.4 million in adult basic education and literacy funds would be consistent with the agency's other contract monitoring and oversight duties.

Other states have successfully integrated adult basic education and literacy programs with workforce development.

- In 1990, Kentucky transferred adult education and literacy programs into a new Workforce Development Cabinet. The transfer increased coordination with one-stop centers, and created better links with technical training programs. Programs collaborate with employers, workers, educators, and all levels of government to address literacy needs and improve the skills of the state's workforce.
- Michigan transferred adult education programs into that state's Department of Career Development (DCD) in 1999. DCD allocates funding though the workforce development board system. Educational Advisory Groups, appointed by the workforce boards, help to strategically plan to meet the needs of each particular workforce area. All workforce and adult education programs use an integrated computer system to track program outcomes.

Recommendation

Change in Statute

3.1 Transfer responsibility for adult education and literacy programs from the Texas Education Agency to the Texas Workforce Commission.

This recommendation would eliminate the fragmentation between TEA and TWC of programs intended to develop the basic educational and literacy skills of the state's adult workforce. The effective date for the transfer would be September 1, 2003.

For the WIA program, TWC, not local boards, would award grants directly to eligible providers, or groups of providers, to implement adult education and literacy services for a particular workforce area. Under TWC's enabling statute, the agency must use each program's federal funding formula, and thus would be required to change the current method used to divide adult education funds among different regions of the state.[12] Therefore, as part of this recommendation, the statute should be amended to allow TWC the flexibility to determine the best needs-based method to divide funding among the state's workforce areas. TWC would serve as the state agency responsible for receiving and implementing the federal grant under Title II of the Workforce Investment Act of 1998.

For the TANF program, this recommendation would centralize the state's funding and oversight for adult education and literacy services for customers either on welfare, or at-risk of going on welfare. TWC would continue to distribute TANF adult education, along with TANF-Choices employment and training funding through the local boards. Local boards would then award grants to local adult education providers to provide the direct services in partnership with Choices services.

Current providers would continue to be eligible for both the WIA and TANF adult education and literacy programs' funding. Sunset staff expect the current experienced pool of adult education providers to apply and successfully compete for future grant awards.

Transferring statutory responsibility for adult education and literacy programs would not include the Even Start Family Literacy federal grant program, administered by TEA's Adult and Community Education Division. The Even Start program is an early childhood education program that targets services to low-income families with low literacy levels. The program is closely tied to the K-12 public education system, and should remain at TEA.

3.2 Create an adult education and literacy advisory committee at the Texas Workforce Commission.

The committee, appointed by the TWC Commission, would advise on:

- the development of policies and program priorities that support adult education and literacy programs' purposes of developing an educated and skilled workforce;
- the development of statewide curriculum guidelines and standards for adult education and literacy services that ensures a balance of education and workplace skill development; and
- any other issue areas defined by the TWC Commission.

The advisory committee should consist of not more than nine members representing experts in the adult education and literacy field. Experts may include adult educators, providers, advocates and current or former adult education and literacy program students.

Management Action

3.3 TWC and TEA should develop a transition plan for the transfer of adult education and literacy programs.

Transition planning would need to begin as soon as the legislation passes and is signed by the Governor. The transition plan should include:

- a timetable with specific steps and deadlines needed to carry out the transfer in compliance with the effective date of the transfer provision;
- a method to transfer all program and personnel records to TWC;
- steps to ensure against any unnecessary disruption to services at the local level; and

- specify other steps necessary to complete the transition of programs.

Sunset staff estimate the transfer should be finalized within four months after the September 1, 2003 effective date. To ensure adequate time to properly carry out the transfer, TWC should contract back with TEA until no later than January 1, 2004, to provide for a smooth transition of these services. This recommendation would help ensure that the transfer of adult education programs is in accordance with state law and has minimum impact on program functions and services.

3.4 TWC should report on adult education and literacy program outcomes related to employment and educational achievement.

The strategic plan and performance reporting system to TWC, the Texas Council on Workforce and Economic Competitiveness, and the Legislative Budget Board, should be updated to include employment-related outcome measures required by law for both the WIA and TANF adult education programs. To ensure accountability for educational achievement of students, TWC should continue TEA's practice of reporting on demonstrated student improvement in education and literacy skills.

Impact

Consolidation of adult basic education and literacy functions at the Texas Workforce Commission would help streamline the State's fragmented adult basic education efforts and improve services to over 111,000 Texans. The State spends almost $50 million across two agencies for basic education and literacy programs intended to develop the workforce. Unifying administration, planning, and oversight of these programs at TWC would provide the State with a more focused use of adult education funding to develop the education and literacy skills of the adult workforce. TWC would be able to use a portion of funding to support Workforce Literacy programs through partnerships with local employers, workforce boards, and service providers.

Local boards would be held accountable for all the employment, education, and training facets of the TANF-Choices program. Services to welfare recipients would improve by offering programs that combine work with work-focused education and literacy skill training at the same time. Providing better workplace skills to customers either at-risk or receiving welfare would make it more likely that they would remain employed and not cycle back onto welfare.

The Legislature would also be better able to determine if adult education literacy programs are effectively meeting the needs of Texans, and whether to invest more of the State's resources towards those efforts. TWC has the expertise and data necessary to produce the required adult education and literacy program outcome data that the State has lacked to evaluate whether these programs are making a difference in Texans' ability to compete in the workforce.

The result of these efforts would help ensure that Texans who participate in the State's adult education and literacy services receive the basic education and literacy skill training needed to become self-sufficient and successfully compete in today's economy.

Fiscal Implication

These recommendations would result in a net estimated savings of $858,000 and a reduction of two staff. TWC estimates it can effectively administer TEA's adult education programs with reduced administrative overhead of $870,000 and two fewer staff than the 14 staff currently used by TEA.

These administrative savings would be primarily to federal funds and some required state Maintenance of Effort funding. Thus, any savings would need to be channeled into direct services to avoid the loss of federal funds. Sunset staff estimate these savings could serve an additional 2,178 Texans in need of adult basic education and literacy skill training. The State should also realize savings in local administrative costs, but the amount cannot be estimated for this report.

The creation of an Adult Education and Literacy Advisory Committee would have a minimal fiscal impact. Existing staff resources could be used to support the committee. Travel costs for the committee, for quarterly meetings, would be $12,000 annually.

Fiscal Year	Administrative Savings to State and Federal Funds*	Cost to State Funds	Change in FTEs from 2002
2004	$870,000	$12,000	-2
2005	$870,000	$12,000	-2
2006	$870,000	$12,000	-2
2007	$870,000	$12,000	-2
2008	$870,000	$12,000	-2

*Administrative savings to state and federal funds are required to be redirected into services.

[1] U.S. Census Bureau's 2000 Census estimated that approximately 3.2 million Texans over 18 have not completed high school.

[2] Texas Education Agency, *Workforce Investment Act: State Plan for Adult Education and Family Literacy*, Division of Adult and Community Education (Austin, Texas, April 19, 1999). Online. Available: www.tea.state.tx.us/adult/newstplan/index.htm.

[3] Ibid.

[4] National Institute for Literacy, *The State of Literacy in America*, by Stephen Reder (Washington, D.C., 1993), Database Online. Available: www.nifl.gov/reders/!intro.htm Accessed: March 10, 2002; and Texas Workforce Commission, Workforce Adult Literacy, www.twc.state.tx.us. Accessed: March 10, 2002.

[5] Texas Workforce Commission, *Strategic Plan 2001-2005* (Austin, Texas, June 1, 2000), p. 15.

[6] Interview with Texas Workforce Commission staff (Austin, Texas, February 26, 2002).

[7] Texas Senate Bill 642, 73rd Legislature (1993); and Texas Government Code Ann., ch. 2308, sec. 2308.153.

[8] Texas Council on Workforce and Economic Competitiveness, *2nd Annual Report on Implementation of the Texas Workforce Development Strategic Plan for FY 2000-2004* (Austin, Texas, December 2001), p. 11.

[9] Texas Education Agency, *Statewide Tables: Regular Adult Education & TANF Adult Education*. Online. Available: www.tea.state.tx.us/adult/tables.html. Accessed: April 11, 2002.

[10] Texas Council on Workforce and Economic Competitiveness, *2nd Annual Report on Implementation of the Texas Workforce Development Strategic Plan for FY 2000-2004* (Austin, Texas, December 2001), p. 11.

[11] Interview with Texas Legislative Council staff (Austin, Texas, February 26, 2002).

[12] Texas Labor Code Ann., ch. 302, sec. 302.062 (b); and telephone interview with Texas Workforce Commission, Legal Department staff (Austin, Texas, May 15, 2002).

Issue 4

Oversight of Local Boards Ensures Compliance But Needs to Focus on Helping Develop Local Capacity to Oversee Workforce Funds and Services.

Summary

Key Recommendations

- Require TWC to develop criteria to assess local workforce development boards' overall capacity to administer and oversee local funds and services.
- TWC should build on current efforts to ensure local boards have a single point of contact in the agency, and improve coordination of oversight between agency staff and local board staff.

Key Findings

- The capacity of local boards to maintain adequate financial controls and monitor contracted providers varies widely.
- TWC oversight ensures program compliance, but is not focused on assessing and improving local boards' capacity to administer and oversee workforce funds and services.
- TWC oversight and monitoring activities often duplicate those of the local boards.
- TWC's establishment of local board teams to coordinate oversight is a positive step, but fragmented oversight activities continue to cause confusion among local boards.

Conclusion

TWC oversees local workforce development boards that, in-turn, oversee the local delivery of workforce services by contracted service providers. Sunset staff evaluated the effectiveness of this system to ensure both quality services and efficient oversight of funds. Sunset staff found that the role of the State versus that of local boards was often not clear, resulting in duplication, particularly of detailed monitoring to ensure compliance with fiscal and program requirements. Local boards also vary considerably in their capacity to adequately oversee funds and services. However, once properly established, the local boards should perform the more detailed fiscal and program compliance monitoring. State monitoring should then focus on ensuring the effectiveness of the local boards' oversight. Requiring TWC to develop criteria for assessing local board overall oversight capacity would better ensure the effective administration of workforce funds and programs, and eliminate the need for the State to duplicate local oversight functions. These changes would help TWC achieve a better balance between state and local accountability and oversight, clearer delineation of roles, and result in more effective use of TWC's resources.

Support

TWC oversees 28 local workforce development boards that monitor the delivery of contracted services at the local level.

To avoid any conflict with their oversight, local boards are prohibited from providing services.

- Under H.B. 1863, the Legislature directed TWC to devolve a majority of workforce services to locally-controlled workforce boards. With all 28 boards now in operation, TWC's role is largely to oversee the delivery of workforce programs and services by the local workforce development boards.

  Unlike most state agencies that may contract directly for services, TWC contracts with local boards to administer and oversee the majority of workforce services and funds locally. To avoid any possible conflicts of interest in the local board's oversight role, the boards are statutorily prohibited from providing workforce services.

  Texas' structure for administering workforce programs and services results in two levels of oversight of the delivery of services by contract providers.

  – TWC oversees the local boards and holds them accountable for implementing workforce programs and services, improving program performance, following state-federal regulations, and maintaining proper fiscal controls.

  – Local boards plan and oversee the delivery of workforce programs and services locally. The local boards act as independent oversight entities that ensure the local providers deliver workforce services effectively and meet required performance measures.

  – Contracted providers deliver direct services and operate local workforce centers. Providers also conduct self-monitoring, and quality control activities, such as hiring case readers to ensure the completeness of client files.

  The chart, *Workforce Oversight System,* shows the number of staff at the state, local board, and contract service delivery level, and their respective functions.

Workforce Oversight System

Level	FTEs	Functions
State Level Oversight	145	Oversight of all funds and services statewide, and the activities of local boards and their contract providers.
Local Board Level Oversight	544	Oversight of local funds and services, and the activities of local contract providers.
Service Delivery by Local Contract Providers	3,670	Delivery of services; quality control and self-monitoring to ensure compliance with contract responsibilities.

TWC ensures local accountability through monitoring, technical assistance, and financial oversight activities provided by staff across several areas of the agency.

TWC's oversight attempts to balance state accountability with local control.

- TWC accomplishes its oversight activities with 145 FTEs devoted to monitoring, technical assistance, and financial oversight. These staff, which are located in different divisions of the agency, are shown in the chart, *TWC Oversight Staff and Activities*.

TWC Oversight Staff and Activities

Contract Monitoring - 55 FTEs, located in the Administrative Support Division, conduct monitoring focusing on program performance and financial controls.

Contract Services - 2 FTEs, located in the Administrative Support Division, negotiate the "core" contract with each local board, and provide technical assistance to agency staff on contracting.

Contract Management and Service Delivery Assistance - 72 FTEs, located in the Workforce Development Division, provide local boards with program technical assistance.

Funds Management - 2 FTEs, located in the Administrative Support Division, review local board expenditure reports.

Financial Services - 14 FTEs, located in the Workforce Development Division, analyze local board expenditures, review contracts, and develop fiscal policy.

- TWC's oversight can be divided into two basic approaches – annual on-site reviews performed by monitoring staff, and ongoing oversight conducted by TWC's Board Teams. During annual reviews, TWC spot checks a local board's abilities to ensure effective service delivery, implement statewide policies, and correctly manage revenues.

  Board Teams meet monthly to discuss issues relating to compliance and program performance which may not be corrected by single findings during annual reviews. These Board Teams were recently formed to provide local board staff with a single point of contact for programmatic and fiscal technical assistance, and oversight issues. The agency staff on these Board Teams is shown in the textbox, *TWC Board Team Composition*.

- TWC's Sanctions Committee enforces local board compliance with the agency's performance measures and contract requirements. The Board Teams report oversight and performance issues to this Committee. A sanction can include withholding payments, disallowing costs, or suspending a local board.[1] As of fiscal year 2002, the Sanctions Committee had imposed 13 sanctions on eight local boards.[2]

TWC Board Team Composition

TWC has nine Board Teams responsible for oversight of about three local boards each. TWC staff on the teams include the following.

- Contract Managers
- Financial Specialists
- Monitoring Representatives
- WIA Specialists
- Choices Specialists
- Child Care Specialists
- Employment Services Specialists
- Rapid Response Specialist

Local board oversight capacity varies from very good to poor.

The capacity of local boards to maintain adequate financial controls and monitor contracted providers varies widely.

- Local boards have different capacity to conduct oversight activities. Some local boards became operational five years ago, others less than two years ago. According to TWC staff, local boards monitoring efforts range from very good to poor.[3] As a result, TWC has to expend more staff resources on those local boards that have not fully developed adequate financial controls and program administration expertise. The financial controls and local monitoring requirements that TWC expects local boards to use are shown in the chart, *Local Board Financial Controls*.

Local Board Financial Controls

TWC requires local boards to maintain the following financial controls to ensure the effective and efficient delivery of services.

Financial Management Controls
- – financial management systems,
- – generally accepted accounting principles,
- – correct expenditure reports,
- – staying within allowable costs, and
- – maintaining expenditure levels.

Contracting and Oversight Processes
- – contract monitoring procedures,
- – conducting on-site visits and audits,
- – providing technical assistance, and
- – fair contracting and procedures.

Personnel and Hiring
- – using fair hiring practices,
- – using standard salary rates,
- – following non-discrimination policies, and
- – maintaining grievance procedures.

Source: TWC, Financial Manual for Grants and Contracts, 1999.

- TWC's monitoring results reflect significant variation in individual local board's oversight capacity. For example, several boards have no significant findings and have been recognized for their best practices. However, TWC monitoring has also found deficiencies in local board monitoring activities in 32 percent, or nine of 28 local boards in fiscal year 2001. Findings include problems such as too much program monitoring at the expense of fiscal monitoring, not developing appropriate accounting procedures, and not developing cost allocation plans.[4]

- Local boards with long standing oversight and program performance problems are required to follow an improvement plan to resolve these problems. Examples of the type of oversight problems found in local board improvement plans include the need to clearly understand local oversight roles and responsibilities; improve procedures for monitoring contracted providers; develop effective procurement procedures; and upgrade existing financial management systems.[5]

TWC oversight ensures program compliance, but is not focused on assessing and improving local board capacity to administer and oversee workforce funds and services.

- TWC's monitoring reviews check local board financial controls, focusing on corrections needed to ensure compliance with individual federal and state requirements. This approach was critical for newly operational local boards; however, all local boards now have at least minimum financial controls in place. TWC's oversight does not focus on assessing how well local boards implement controls over time to ensure local boards maintain and improve the capacity needed to appropriately oversee funds and services under their control.[6]

- Recently, TWC set up Board Teams to take a broader oversight role, but Sunset staff found that these teams still focus on programs and fiscal performance, not the long term improvement of local board capacity. Board Team staff focus more on individual programs the local boards administer, instead of more critical accountability issues related to administration across the programs. Therefore, TWC's oversight practices may not identify longstanding oversight weaknesses related to contracting processes, operations in local centers, and proper expenditure of funds.

  In addition, these Board Teams lack the criteria to guide the evaluation of local board capacity, such as the ability of a local board to develop comprehensive fiscal management systems across programs; understand and communicate program requirements to providers; hire, train, and keep local board staff to carry out oversight activities; oversee and improve the operations of local centers; and identify and resolve longstanding oversight and performance issues.

TWC rules fail to distinguish between state and local monitoring activities.

TWC's oversight and monitoring activities often duplicate those of the local board.

- TWC rules support a "one size fits all" approach to oversight and do not distinguish between the respective oversight roles and responsibilities between the State, local boards, and contracted providers.[7] In addition, TWC's monitoring policies state that the agency's staff and resources are devoted to monitoring at the same level as local boards.[8]

  As a result, TWC does not adjust the level of oversight for those local boards that have more advanced oversight capacity, and at times, TWC's oversight staff duplicate the monitoring activities of local board staff. For example, instead of validating whether the local boards' oversight and monitoring efforts are effective, TWC's monitoring often looks at the same areas as the local boards, even to the level of checking many of the individual case files of clients getting direct services from contracted providers.

- TWC's duplication of monitoring efforts can extend to contracted service providers, which local boards also monitor. For example, one provider reported 12 monitoring visits in one year, including seven by TWC, three by local board staff, and two by the federal government. In this example, TWC's program and fiscal monitoring duplicated the efforts of independent monitors hired by the local board to audit the provider in some of the same areas.[9] While TWC does not have control over federal monitoring, the agency has the ability coordinate its monitoring with local board staff activities.

TWC could improve its communication of oversight expectations to local boards.

TWC's establishment of Local Board Teams to coordinate oversight is a positive step, but fragmented oversight activities continue to cause confusion among local boards.

- TWC's numerous contracting, technical assistance, and financial staff all place different demands on the local boards. During Sunset field visits, the local boards expressed frustration with not knowing who they were accountable too, and what they were ultimately accountable for, across TWC's numerous oversight staff. [10]
- Local board staff also were not sure who to contact to address problems uncovered during monitoring visits.[11] For example, financial staff communicate separately with local boards on reporting and fiscal requirements, while monitoring staff communicate with local boards fiscal, programmatic, and policy issues.
- TWC's Board Teams have not been completely successful in resolving communication difficulties with local boards. In some instances, up to three TWC staff on the same Board Team have contacted local board staff on the same program issue, making it difficult for local board staff to get consistent information and technical assistance to resolve oversight and performance issues.[12]

Recommendation

Change in Statute

4.1 Require TWC to develop criteria to assess local workforce development boards' overall capacity to administer and oversee local funds and services.

This recommendation would require TWC to develop criteria to assess and evaluate local board capacity to oversee and manage the delivery of workforce services. These criteria should be developed with input from local boards, and should address areas such as:

- developing and sustaining comprehensive fiscal management systems beyond minimum requirements;
- hiring, training and retaining qualified staff to carry out oversight activities;
- overseeing and improving the operations of local centers;
- managing performance across multiple programs;
- establishing productive relationships with providers that improve overall performance; and
- identifying and resolving longstanding oversight and performance issues.

These criteria would allow TWC to better assess each board's capacity to oversee funds and services locally. TWC could then better match the level and type of oversight and technical assistance needed. For newer, emerging boards, TWC's role would continue to involve extensive monitoring until the board could demonstrate the development of adequate local monitoring systems. TWC's focus should be on bringing these boards' local oversight systems up to capacity as soon as possible, to enable the boards to accomplish their mission.

TWC should work closely with local boards in developing criteria that effectively measure and assess the boards' oversight capacity. TWC should develop these criteria in rule no later than May 2004, and implement the rules no later than September 2004.

Management Action

4.2 TWC should build on current efforts to ensure local boards have a single point of contact in the agency, and improve coordination of oversight activities between the agency and local board staff.

TWC should appoint the lead contract manager of each Board Team as the single point of contact for the local boards. TWC should also make sure that local boards are aware of the newly formed Board Teams, and clearly communicate the purpose of these teams. The contract managers would be responsible for coordinating the oversight of the local boards so that technical assistance, monitoring, and sanctions are delivered through a single person, instead of each local board answering to a number of different TWC staff.

In addition, TWC should improve coordination of oversight activities with local boards by planning monitoring visits to avoid duplication where local boards have the demonstrated capacity to carry out these activities. In addition, TWC should clearly communicate the purpose of oversight visits with local boards, provide better information on what they would be evaluated on, and what procedures TWC would use during the audits. These changes would help ensure local boards are prepared for TWC oversight visits, and ensure that TWC's efforts result in greater benefits to the local boards and the State.

Impact

Overall, these recommendations would help ensure that local boards have the proper mechanisms in place to effectively administer public funds, and to improve local center operations and program performance. Establishing clear oversight criteria would provide boards with a better understanding of what is expected, reduce any unnecessary duplication of monitoring activities, and help TWC better ensure local boards with poor oversight capacity are improved over time. In light of potential changes at the federal level that could result in more funds and services being delegated to local boards, the State has critical need to ensure local boards develop effective oversight capacity.

Fiscal Implication

These recommendations will result in a positive fiscal impact to the State and the local boards. Eliminating duplication and improving coordination of oversight activities between TWC and the local boards should result in administrative savings for both, but these savings could not be estimated for this report.

[1] Texas Workforce Commission, *General Sanctions Process Outline* (Austin, Texas, August 2001). Un-numbered pages.

[2] Texas Workforce Commission, "List of all Sanctions - Last Five Fiscal Years" (Austin, Texas, undated document). Sunset staff counts a sanction that has been moved to an additional level as more than one sanction.

[3] Texas Workforce Commission, *Agency Response to Draft Sunset Issues* (Austin, Texas, May 9, 2002).

[4] Texas Workforce Commission, *2001 Contract Monitoring Reports of LWDBs* (Austin, Texas, 2001).

[5] Texas Workforce Commission, *Performance Improvement Plan* (Austin, Texas, March, June, and July, 2001). p. 3.

[6] Telephone interview with Texas Workforce Commission, Contract Monitoring staff (Austin, Texas, May 9, 2002).

[7] Texas Administrative Code, ch. 800, sec. 800.303(b).

[8] Texas Workforce Commission, *Contract Monitoring Department Annual Plan, Fiscal Year 2002* (Austin, Texas), p. 12.

[9] E-mail to Sunset Advisory Commission, May 2, 2002.

[10] Sunset staff interviews with Local Workforce Development Board staff (December 2001 - January 2002).

[11] Ibid.

[12] Interview with Texas Workforce Commission, Workforce Division staff (Austin, Texas, May 10, 2002).

Issue 5

Siloed Workforce Programs Make It Difficult for Many Texans to Receive Effective Services.

Summary

Key Recommendation

- Require TWC, in partnership with local workforce development boards, to phase in the integration of workforce programs and associated case worker functions by 2007.

Key Findings

- TWC contracts with local workforce development boards to administer five workforce programs that account for more than 90 percent of available workforce funding.
- The workforce programs provide similar intensive services to many of the same customers.
- TWC struggles to fully support the integration of workforce programs at the local level, which results in duplication and inefficiencies that make effective delivery of services to customers difficult.

Conclusion

The Texas Workforce Commission (TWC) allocated nearly $740 million in fiscal year 2002, through five programs, to local workforce development boards to provide intensive employment, training, and support services. Even though funding for each program is different, they all have the same purpose and use common front-line case worker functions to provide services to many of the same customers.

TWC has accomplished much of the consolidation of the State's fragmented workforce programs, and has integrated many agency administrative and business functions. However, when the Sunset review assessed how well integration was progressing, staff found that TWC struggles to integrate other aspects of these programs, which results in programs still being delivered in "silos." The lack of integration across the block grant programs results in duplication and reduced effectiveness. Local staff must expend time and resources coordinating across these programs even though they are administered by a single state agency. Customers end up working with multiple program-specific case workers, making it more difficult for customers to get the help needed.

Sunset staff recognizes that implementing this recommendation to further integrate programs would not be an easy task for the agency. However, these recommended changes are key to streamlining the delivery of intensive services aimed at helping Texans get, and keep, the jobs needed to support their families. Customers would work with a single case worker, who would be responsible for helping them obtain the needed services, regardless of which program funded those services. This recommendation would also ensure that the consolidation of programs that created TWC at the state level, will ultimately result in better workforce services for customers at the local level.

Support

TWC contracts with local workforce development boards to administer five workforce programs that account for more than 90 percent of available workforce funding.

- In fiscal year 2002, TWC allocated nearly $740 million dollars to local workforce development boards from five separate federal funding sources to provide employment, training, and supportive services to targeted populations who need additional assistance to become employed or stay employed.[1] The five programs, shown in the chart, *Block Grant Programs*, account for more than 90 percent of available workforce funding.[2]

Block Grant Programs

Choices **-** employment and training services for welfare recipients (TANF)

Food Stamp Employment and Training**-** services for unemployed food stamps recipients

Welfare to Work **-** post-employment services for current or former welfare recipients

Workforce Investment Act (WIA), Title I**-** employment and training services to low-income adults, dislocated workers and disadvantaged youth

Child Care **-** subsidies for families who are or were on welfare, or other low income at-risk families

- TWC distributes funding to the local boards through separate block grants for each program. The block grant is a performance contract that requires local boards to deliver program services for a fixed amount of money.[3] TWC monitors local boards' compliance with each of these contracts and provides assistance to local boards not meeting performance standards included in the contract.

- State law and TWC policies require each local board to plan for integrated services across programs and contract with local providers to deliver the services through one-stop workforce centers.[4] Local boards monitor the performance of the contractors.

- Full-service workforce centers are required to have employment and training services that are integrated, seamless, and provided in a non-program specific manner.[5] Workforce centers provide two types of services, universal and intensive. The chart, *Universal Workforce Services,* explains this type of service. The block grant programs provide the bulk of intensive level services.

Universal Workforce Services

Any Texan can access some workforce centers services, but must qualify for others. Universal services include self-directed or assisted job search using the State's employment services program. Resource rooms provide access to labor market information, computers, telephones, fax machines, and information on education and training services the customer may qualify for.

The workforce programs provide similar intensive services to many of the same customers.

- Even though funding for each of the five workforce programs is different, they all have the same purpose and serve many of the same customers. All of the programs are intended to help people get jobs, keep those jobs, and earn more money to become more self-sufficient. Many customers qualify for services from more than one program. In fact, state law encourages this co-enrollment to maximize the availability of services to customers. The WIA program serves many welfare customers that need training to obtain higher paying jobs.[6] Another example is the child care program which serves parents participating in any of the workforce programs, and also provides services to help many parents stay employed once they transition into the workplace.

Five separate workforce programs serve many of the same customers.

- These programs provide more intensive assistance than traditional employment services available to universal customers. Customers meet with a case worker to create an employment plan based on that customer's individual circumstances. Case workers provide services based on an assessment of that customer's skills, abilities, and barriers to getting a job. Specialized services, such as training, assisted job search, in-depth skill testing, or child care may be provided to help customers get jobs and support their families.
- Each program uses common front-line case worker functions to provide services. Case worker functions include outreach/ orientation, eligibility determination, case management and referral, customer participation tracking, and post-employment follow-up. Even the child care programs have workers that perform many of these same functions. While the Department of Human Services (DHS) determines a customer's eligibility for food stamps or welfare, the workforce center case workers must still determine the customer's eligibility for workforce services.

TWC struggles to fully support the integration of workforce programs at the local level.

- The textbox, *Policy Goals of Workforce Reform,* shows the problems the Legislature tried to address with the creation of TWC, and the vision for a new workforce delivery system. Despite separate federal funding sources, TWC has managed to integrate many administrative and business systems, such as financial accounting, and computer systems. However, TWC continues to approach agency policy and program implementation in a way that mirrors the fragmented federal approach to workforce development. TWC has never requested a federal waiver to assist the State in streamlining services across programs.[7] This lack of integration at both the federal and state level

Policy Goals of Workforce Reform

Reforming the Workforce System

Before passage of HB 1863 in 1995, major employment and training resources were spread across multiple agencies, creating a fragmented workforce system that was inefficient and lacked a coordinated focus. Many programs were spread out in different physical locations across communities, had poor service coordination, and duplicated efforts. Programs were categorical in nature, most serving only targeted populations that met eligibility requirements. Each program had independent administrative structures, planning efforts, and performance accountability systems.

Vision for a New Workforce System

The creation of TWC has been an ambitious effort on the part of the State to create a system-oriented change to coordination of workforce services. Local control is central to the reform effort. State law requires all workforce programs to be housed in the Workforce Development Division of TWC to help ensure functional integration at the state level, to support functional integration of programs at the local level. The new system is also supposed to unify program goals and accountability measures across the merged programs.

TWC has yet to request a federal waiver to allow streamlining across programs.

Workforce services are still provided in "silos," much like before creation of TWC.

makes it difficult for local boards to fully integrate programs. As a result, Sunset staff found that the one-stop workforce centers provide services in "silos," much like they were before creation of TWC.

- Despite positive steps to consolidate separate federally funded programs into a single agency, TWC maintains a siloed approach to implementing these programs.[8] TWC's program specific policy development, monitoring, performance accountability, and even the agency's structure, all continue to make further integration difficult at the local level.[9] For example, TWC maintains a separate office, outside the Workforce Division, just for welfare programs. This office performs many of the same functions as other integrated departments within the agency, such as planning, policy development, interagency and government relations, and performance monitoring.[10] The child care program also retains a separate department for many of the same functions pertaining specifically to the child care program. Planning and developing policies for integrated services across the major workforce programs proves difficult by having multiple, independent, and separate departments involved. Local level services reflect this lack of integration, particularly for child care and welfare customers, even though these programs serve many of the same families.
- TWC has been unsuccessful at developing state level policies that are consistent enough across programs to make it possible for a single case worker to provide services to customers from any program. Instead, one-stop workforce centers have case workers that only serve welfare customers, or others that only serve WIA customers, and still others that only register customers for child care. Each program's policies are different from each other, require separate procedures to implement, and have separate reporting requirements to ensure compliance from the state, local and contractor level. By the time those procedures and reporting requirements reach the caseworker level, each program takes on a totally separate set of complex requirements, even though all the program's are supposed to do the same thing - help Texans get and keep jobs.
- Local boards also indicate that the more than 30 different state and federal performance measures that TWC chooses to evaluate local performance on, makes it difficult integrate programs. TWC does not evaluate performance of local boards across programs. In fact, each program measures something as simple as *entered employment* differently. Some programs, such as Choices and Child Care, emphasize process measures that only measure a program's level of activity and not whether the program achieves desired results, such as helping people maintain a job.

Lack of integration results in duplication and inefficiencies that make effective delivery of services to customers difficult.

- Case worker time and program resources are diverted away from helping Texans get jobs, maintain those jobs, and earn more money for their families by the lack of integration. The chart, *Duplication of Case Worker Functions,* shows how case workers duplicate efforts for each block grant program. Local staff must expend time and resources coordinating across these programs even though they are administered by a single state agency.

Customers needing multiple services must access each program separately.

Duplication of Case Worker Functions

	Choices	Food Stamp E & T	WIA	Child Care
Outreach/orientation	✔	✔	✔	✔
Eligibility Determination	✔*	✔*	✔	✔
Assessment	✔	✔	✔	✔
Employment Planning	✔	✔	✔	
Job Search/Placement	✔	✔	✔	
Case Management	✔	✔	✔	✔ **

* DHS is responsible for determining eligibility for welfare cash assistance and food stamps. TWC is responsible for ensuring those customers are eligible for workforce services.
** Benefit tracking.

- Customers with complex needs may not be receiving effective services because they must access each program separately. To receive services from more than one program, customers must often apply and be determined eligible for services by each program, separately. This results in two case workers performing the same function, for the same customer. Customers must provide much of the same information to each case worker, even though the same information determines eligibility for both programs.

- Requiring customers to work with multiple program specific case workers creates a complicated web that makes it difficult for customers to receive services effectively. Customers enrolled in more than one program may have two or three different case managers that might be working on one case and performing similar functions on an ongoing basis. Implementing a meaningful and coordinated employment plan amongst multiple programs has proven difficult. The textbox, *Common Case Management Functions,* shows functions that are common across programs.

Common Case Management Functions

- Assessing customer need for employment and training services
- Creating goals for an employment plan
- Referring customers to education or training services
- Connecting customers with support services such as child care
- Issuing subsidies for special services such as transportation or work related expenses
- Tracking customer participation and progress

Source: Texas Workforce Commission

Dealing with separate case workers for each program often confuses customers.

- According to workforce center case workers, customers often get confused by having separate case workers for each program.[11] Something as simple as reporting when a customer gets a job becomes overly complicated. Failure to report the correct information at the right time, and to the correct case worker, can result in customers losing important support services that help ensure job retention.

  Less than a quarter of families leaving welfare for work accessed child care services, even though these customers are eligible for transitional child care, designed to help maintain employment and decrease the likelihood of returning to welfare.[12] Families leaving welfare for work are the most likely workforce customers to need child care subsidies because their earnings are not sufficient to cover the costs of child care.[13] Though one of many possible reasons, customers may not be taking advantage of these services because of confusing and fragmented separate child care and workforce programs. For example, customers must work with at least two case workers, often employed by separate contractors, to ensure they are placed in a job and continue to receive child care subsidies after completing workforce services, even though both services are funded by a single agency.

Local boards are already trying to integrate workforce programs.

- Many local boards recognize that bouncing customers from case worker to case worker, or having case workers only serve certain customers, is not beneficial to the customer and not an efficient way to delivery services. Some local boards, with support from TWC, have integrated the welfare programs into a single case worker function to expand services to customers and maximize the use of funds, even though the programs are administered by separate federal agencies. Others have centralized eligibility determination for all programs, including child care, into a single unit. A few local boards are in the process of totally integrating case management function to eliminate the silos, and reduce the stigma attached to some programs, such as welfare.

Recommendation

Change in Statute

5.1 Require TWC, in partnership with local workforce development boards, to phase in the integration of workforce programs and associated case worker functions.

To ensure a smooth transition, this recommendation would be phased in over four years and would require the following steps.

- A review and modification of state level policies, procedures, and organizational structure to support the integration of local workforce programs and case worker functions.
- Completion of several pilot projects, within selected local board areas, to identify the best methods to integrate these functions.
- Request by TWC for federal waivers, as needed, to demonstrate the effectiveness of streamlining and integration of functions.
- A report to the Legislature, in 2005, on the results of these pilots and any statutory changes needed to facilitate the integration of these functions.
- Full implementation of integrating case worker functions statewide no later than September 1, 2007.

This recommendation would not affect "universal" customers, who would still be able to receive the current level of services and information at the workforce centers. This recommendation would not affect eligibility determination for welfare or food stamps conducted by DHS, which refers customers to TWC and the local boards for employment and training services.

TWC would be required to ensure that current program policies, agency practices, such as performance accountability, and the agency's organizational structure support integration of programs, a consistent service delivery system, and integration of case worker functions. At a minimum, the workforce center service delivery system should include an integrated case management function, and an integrated eligibility determination function for intensive workforce development services for the programs TWC already block grants to local boards, including child care.

TWC would be required to develop three to five pilot projects to integrate case worker functions in different local board areas across the state, to identify specific barriers that would need to be addressed prior to expanding this recommendation to the entire state.

Currently the U.S. Department of Labor is soliciting states to apply for waivers, and legislation is pending in Congress that would allow for super-waivers, across multiple programs, to help states streamline workforce services. Because Texas leads the nation in workforce reform, the state is well positioned to receive federal waivers that would demonstrate the benefits of integrating services. If needed, TWC would submit a waiver request of any inconsistent federal requirements, such as performance measure definitions or cost allocation methods.

A potential time line for implementing these changes is described in the chart to the right.

Proposed Time Line for Integrating Programs and Case Worker Functions

June - August 2003	***Phase I: Planning*** • Plan for Pilot Projects
FY 2004 FY 2005	***Phase II: Pilots and State level changes*** • Pilot project implementation • Request federal waivers, as needed: May 2004 • Policy review completion: August 2004 • Submit report for the 79th Legislature:November 2004
FY 2006	***Phase III: Transition to full implementation*** • TWC encourages local boards to implement early using current incentive awards: September 2005 • Complete any needed computer system upgrades to support consolidation of case work functions:August 2006
FY 2007	***Phase IV: Full implementation statewide*** • By September 1, 2007 remaining local boards should be providing program services through integrated case worker functions

Impact

The State allocated nearly $740 million, in fiscal year 2002, to local workforce development boards to provide intensive employment, training and support services through five programs. Sunset staff recognizes that further integrating these programs will not be an easy task for the agency. However, this recommendation would help the State streamline the delivery of intensive services and focus them on helping Texans get, and keep, the jobs needed to support their families.

Much of the consolidation of the State's fragmented workforce programs has been accomplished by TWC. These recommendations would better position TWC to support a locally driven workforce system, and focus efforts towards oversight, technical assistance, and broad statewide policy. During the past six years TWC has merged 28 programs from ten other agencies, while also helping set up local boards to administer many of the State's major workforce programs. The 28 local boards are now operational and contracting for services. TWC has much of the infrastructure, such as computer systems, in place to take the next step towards actually integrating programs from state level down to the case worker level.

Breaking down the program "silos" and integrating case worker functions would result in more effective services for customers. Customers would only have to meet with one eligibility worker and provide critical information once. They would then work with a single case worker, who would be responsible for helping them get a job, retain that job, and earn enough money to support their families.

Fiscal Implication

This recommendation would have a positive fiscal impact of $4.2 million to the State by streamlining programs and the delivery of intensive workforce services, beginning in fiscal year 2006. Portions of each programs' funding are set aside at the state and local level for administration of the programs by TWC and the local boards. Sunset staff conservatively estimate that this recommendation would result in savings of at least 5 percent of the total amount of funds allocated for administration.

Implementing common policies, procedures, reporting requirements, and performance accountability across programs would reduce the need for 35 FTEs from TWC's state office, while still effectively overseeing integrated workforce programs. Likewise, local boards would not need as many staff to administer these programs. While not state employees, Sunset staff estimate each local board, on average, would be able to realize a reduction of 1.75 FTEs. These administrative savings would be primarily to federal funds and some required state Maintenance of Effort funding. Thus, any savings would need to be channeled into direct services to avoid the loss of federal funds.

Changes to TWC's computer systems would be prioritized within the agency's current budget for planned upgrades to the system over the next four years. Any potential one-time costs are dependent on the results of TWC's examination of the best methods to integrate workforce programs and cannot be estimated for this report. TWC would be able to use a portion of the overall administrative savings associated with this recommendation to offset potential one-time costs for computer upgrades.

Existing program funding would be used to implement the pilot projects. Local boards participating in pilot projects would be allocated the normal formula funding from each program. Implementation of pilot projects would require use of staff from various TWC departments, in coordination with local boards. TWC staff from various departments already compose "local board teams." No additional staff should be necessary for this effort.

Reducing the number of customers with two or more case workers managing services, and streamlining each program's reporting requirements would free up case workers' time that could be used to serve more customers. While significant, the actual number of additional customers that could be served with the administrative savings, combined with the use of more efficient case workers, cannot be estimated for this report.

Fiscal Year	Administrative Savings to State and Federal Funds*	Change in FTEs from 2002
2004	0	0
2005	0	0
2006	$4,200,000	-35
2007	$4,200,000	-35
2008	$4,200,000	-35

*Savings to state and federal funds would need to be re-directed into services to avoid the loss of federal funds.

1 Texas Workforce Commission, FY 2002 Block Grant Allocations Chart, submitted to the Sunset Advisory Commission (November 2001).

2 Workforce funding includes block grants to local boards, TWC funded customized training, and TWC Employment Services.

3 Texas Workforce Commission, *Self-Evaluation Report*, submitted to the Sunset Advisory Commission (August 2001).

4 Texas Government Code Ann., ch. 2308, secs. 2308.302-2308.304.

5 Texas Administrative Code Ann., title 40, part 20, rule 801.23 (1).

6 Texas Human Resources Code Ann., ch. 31, sec. 31.0127; and Texas Workforce Commission, *Report on Rider 28* (Austin, Texas, 2000).

7 Interview with Texas Workforce Commission staff (Austin, Texas, April 4, 2002).

8 Lyndon B. Johnson School of Public Affairs, *Building a Workforce Development System for Texas: A Funny Thing Happened on the Way to Reform*, report no. 126 (Austin, Texas, 1997), p. 34; Texas Workforce Commission, *Organizational Chart: Workforce Development Division*, submitted to the Sunset Advisory Commission (October 2001); and interviews with Texas Workforce Commission staff (Austin, Texas, October, 2001-March, 2002).

9 Interviews with local workforce development boards staff (October, 2001-April, 2002).

10 Texas Workforce Commission, *Texas: Let Us Work for You, 2001 Annual Report* (Austin, Texas, April 2002), p. 59; and interview with Texas Workforce Commission, Welfare Reform Initiatives Office staff (Austin, Texas, October 18, 2001).

11 Field interviews with workforce center case workers (October, 2001-March, 2002).

12 Texas Department of Human Services, *Texas Families in Transition* (Austin, Texas, January 2002), pp.38, 49.

13 Ibid, pp. 38, 49.

Issue 6

TWC Has No Current Mechanism for Ensuring Outside Input on Its $425 Million Child Care Program.

Summary

Key Recommendations

- Create a Child Care Advisory Committee at the Texas Workforce Commission.
- TWC should charge the child care advisory committee with examining the child care allocation formulas, and providing recommendations on improving the formulas.
- TWC, with the advice of the child care advisory committee, should develop formal methods for developing the recommended state target for the number of children served, to be provided to the Legislative Budget Board; and for assigning local targets, to be adopted as rules.

Key Findings

- While TWC has devolved many child care policies to the local workforce development boards, a number of key decisions are still made at the state level.
- TWC does not have a formal mechanism for receiving outside input on child care issues.
- Child care allocation formulas may not accurately address local needs.
- TWC does not adequately engage local boards when setting targets for the number of children to be served, and the method used may not adequately reflect local costs and needs.

Conclusion

TWC makes key statewide policy decisions that affect local boards' ability to implement the $425 million child care program. The Sunset review looked at how TWC allocates child care funds, how targets are set for the number of children to be served, and the ability of interested parties, including local boards, to have input in these decisions. Sunset staff found that, despite the significance of these decisions, the Commission lacks adequate formal input on the child care program, and would therefore benefit from a child care advisory committee. This nine-member committee – consisting of child care contractor and local board staff, board child care representatives, and child care advocates – would provide expert and local input, and help improve TWC's decisions on child care performance measure targets and the allocation of funds.

Support

While TWC has devolved many child care policies to the local workforce development boards, a number of key decisions are still made at the state level.

- TWC provides subsidized child care to low-income parents to enable them to work, or participate in training or education. TWC administers the $426 million child care program at the state level with 21 dedicated staff. The child care budget also pays for an additional 57 staff that provide administrative support in other TWC departments. TWC allocates the majority of its child care funds to 28 local workforce development boards who, in turn, contract for the provision of child care. Local workforce boards began administering the child care program in 1998, as mandated by HB 1863, which consolidated employment, job training and related support programs at TWC, and then block-granted funds to local boards for the provision of those programs. An average of more than 100,000 children per day received subsidized child care in fiscal year 2001.

Although administered by local boards, child care is still heavily affected by TWC policies.

- TWC continues to make many key child care decisions including allocating funds to local boards, and setting the amount of funds local boards must raise to draw down matching federal dollars. Other funding decisions include reallocating funds from boards that cannot spend the money on time to boards that demonstrate need for the funds. TWC also sets performance measure targets, and may recommend new performance measures to the Legislative Budget Board (LBB) or request changes to the current measures. TWC may sanction boards that do not meet performance measure targets.[1]
- Local workforce development boards plan and manage the delivery of child care services at the local level, and decide many child care program policies, including income eligibility levels, parent copayment amounts, priorities for waiting lists, and provider reimbursement rates. Boards train and provide technical assistance to providers, and also manage the Rising Star Provider program for child care providers who meet higher than minimum licensing standards.

TWC does not have a formal mechanism for receiving outside input on child care issues.

- While a 20-member committee formerly advised the Commission on child care policies, TWC no longer has a formal channel for receiving input on child care issues. This committee advised TWC on developing coordinated state child care policies, and its members included child care advocates, the general public, and ex officio representatives from state agencies with roles in state child care programs. According to TWC and legislative staff, the Legislature removed the requirement for a child care advisory committee from law in 2001 because child care policy had largely devolved to the local level.[2]

- Child care advisory committees exist on the local level, but they do not provide input to TWC. Several local workforce boards have child care committees that advise the boards on child care issues. State law also requires that any child care provider that has more than 30 percent TWC-subsidized children must have a parent advisory committee to provide input into the operation of the center.
- Child care contractor and board staff from all twenty-eight boards meet quarterly, and while TWC staff may participate, the meetings do not provide input to the TWC Commissioners who make policy decisions. Several of these child care contractor and board staff expressed concern that they could not provide input to TWC on rules before they were posted for public comment. Local board and contractor child care staff initiated this group and began meeting in 1999 to exchange ideas and concerns with each other. The group eventually began including TWC child care staff concerns on their agendas, so the meetings provide some information exchange between TWC and local staff.

Local board and contractor staff expressed concern about their opportunity to provide input on child care issues.

Child care allocation formulas may not accurately address local needs.

- While only low-income families are eligible for child care subsidies, TWC distributes almost half, or $200 million, of its child care funds based on the number of children living in an area – not on the number of children in the area living in poverty.[3] This can result in areas with greater poverty not receiving the funding necessary to serve families and children in need of care. In addition, the formulas TWC uses do not take into account an area's historical need for and use of child care funds, or local cost of care.

  The methods TWC uses for allocating funds include formulas used by the federal government to distribute the Child Care and Development funds to states, and needs-based formulas developed by the agency. The federal formulas are not required for allocating funds to local board areas, and TWC has the flexibility to develop its own needs-based formulas.[4] The funds are distributed based on different formulas tied to the type of funding – mandatory, matching, and discretionary funds – as described in the textbox, *Child Care Allocation Formulas*.

Child Care Allocation Formulas

Mandatory Funds ($125,633,666 in FY 01) - 50 percent based on relative proportion of children under five living in the workforce area to the statewide total number of children under five; and 50 percent based on relative proportion of total number of people living in the workforce area whose income does not exceed 100 percent of the poverty level.

Matching Funds ($152,698,796 in FY 01) - relative proportion of children under the age of 13 living within the workforce area to the statewide total number of children under the age of 13 years old.

Discretionary Funds ($115,324,461 in FY 01) - relative proportion of total number of children under the age of 13 years in families whose income does not exceed 150 percent of the poverty level.

- Of six states TWC surveyed in 1999 that provided allocation formulas, only one reported using only population data, similar to Texas.[5] Other states used combinations of market rates, numbers of working mothers with children under age six, expenditures from previous years, and other need indicators. Florida has also used a combination of factors, including historical expenditures.[6]

TWC does not adequately engage local boards when setting targets for the number of children to be served, and the method used may not accurately reflect local costs and needs.

TWC's methods of setting board service targets are not public and may vary year to year.

- TWC estimates two to four years in advance how many children statewide should receive child care services based on estimated state and federal funding, estimated number of children of families receiving welfare, estimated cost of care based on boards' past spending, and, recently, projected increases in the cost of care. TWC recommends its estimate of the number of children to be served statewide to the LBB, which approves or modifies the target. The number that LBB approves becomes the performance measure, average number of children served per day.

- Based on the overall statewide target set by the LBB, TWC assigns targets for the number of children each local board should serve. The chart, *Child Care Allocations and Targets*, shows how many children each board was required to serve in fiscal year 2001. TWC counts boards that come within three percent of their targets as meeting the target. TWC has not sanctioned the eight boards that did not meet their targets in fiscal year 2001.

- The methods TWC uses to determine how many children each board must serve are not made public and may vary each year, making it difficult for boards to understand how their targets are set. The chart, *Methods for Assigning Board Targets for Children Served,* shows the difference in key factors that TWC used to determine 2001 and 2002 targets. To determine fiscal year 2002 board targets, TWC used a lengthy method that added $2 for administrative and operations costs to each board's actual average cost per child for all categories of care in March 2001. According to TWC staff, administrative and operations expenses have historically been $2 per unit.[7] TWC then multiplied this projected average cost of care by 260, the number of days of care in 2002, to produce the average annual cost

Methods for Assigning Board Targets for Children Served

Key Factors	FY 2001 Method	FY 2002 Method
Historical Cost of Care	Board's actual cost of care per child (January through March 2000)	Board's actual cost of care per child (March 2001)
Administrative and Operations Costs	Set-aside of 5 percent administrative costs (or $250,000 for boards with child care budgets below $5 million) Set-aside of 11 percent for contractor operations (or 16 percent for boards with child care budgets below $5 million)	$2 added to average cost per child for administrative and operations costs

Child Care Allocations and Targets - FY 2001						
Local Workforce Board	Allocation	Number of Children Served			Meeting Target	Average Cost/Unit
		Target	Actual	Difference		
Panhandle	$7,097,877	2,047	2,116	+69	Yes	$11.96
South Plains	$7,719,687	1,925	1,854	-71	No	$15.66
North Texas	$3,685,563	884	996	+112	Yes	$13.49
North Central	$18,816,908	4,319	3,873	-446	No	$16.51
Tarrant	$22,718,207	4,907	5,218	+311	Yes	$17.93
Dallas	$38,650,125	8,953	9,193	+240	Yes	$15.53
North East	$4,615,240	1,406	1,405	-1	Yes	$12.28
East Texas	$12,011,055	3,558	3,245	-313	No	$14.54
West Central	$5,787,912	1,636	1,661	+25	Yes	$13.30
Upper Rio	$22,407,014	6,626	6,713	+87	Yes	$12.47
Permian Basin	$7,943,068	2,578	2,570	-8	Yes	$11.33
Concho Valley	$2,715,558	834	900	+66	Yes	$12.80
Heart of Texas	$6,171,293	1,567	1,502	-65	No	$12.74
Capital Area	$13,326,349	2,631	2,595	+36	Yes	$17.39
Rural Capital	$7,517,135	1,880	1,976	+96	Yes	$14.59
Brazos Valley	$4,150,799	887	856	-31	No	$17.68
Deep East Texas	$5,916,949	1,750	1,780	+30	Yes	$13.30
South East Texas	$6,561,812	1,695	1,693	-2	Yes	$14.43
Golden Crescent	$3,311,622	872	974	+102	Yes	$13.96
Alamo	$42,462,841	9,444	9,061	-383	No	$16.20
South Texas	$10,629,880	3,156	3,424	+268	Yes	$12.36
Coastal Bend	$14,359,889	4,137	3,739	-398	No	$13.84
Lower Rio	$20,710,294	6,829	6,821	-8	Yes	$10.38
Cameron County	$11,788,186	3,765	3,682	-83	Yes	$12.65
Texoma	$2,645,274	642	648	+6	Yes	$16.31
Central Texas	$7,351,911	2,244	1,997	-247	No	$13.32
Middle Rio	$6,303,624	1,906	2,043	+137	Yes	$12.62
Gulf Coast	$84,933,688	19,826	19,842	+16	Yes	$15.79
Total	**$402,309,759**	**100,000**	**101,141**	**+1,141**	**8 not meeting**	**$14.12**

Child care performance targets do not adequately reflect regional differences in cost of care.

for one child in care. The board's child care allocation was then divided by this average annual cost for one child to determine the number of children the board could serve. Because this method resulted in about 2,300 more children to be served than the statewide target, TWC reduced each board's target by 3.1 percent.

- Several boards commented that TWC's method does not adequately account for cost of care.[8] The fiscal year 2002 target methodology used only one month of care – March 2001 – to project cost, even though child care costs go up in the summer months when more full-time care is required. The $2 that TWC added to each board's cost per child does not reflect local costs of living or care in each board area. The flat $2 was added to average daily child care rates that can range from $17.93 in Tarrant County to $10.38 in the Lower Rio Grand board area.[9]

  The flat $2 also does not accommodate the differences in board budgets. While the Houston area board had a fiscal year 2001 child care budget of $85 million, Concho Valley's budget was $2.7 million. Larger boards clearly have better economy of scale and can make $2 go further than smaller boards. TWC rules recognize this disparity in board size and allow boards with child care expenditures of less than $5 million to exceed the 5 percent cap on child care administrative expenses, by limiting those boards to $250,000 in administrative expense. The target method, however, does not make this allowance for board size because it imposes a flat $2 amount for administrative expenses.[10] The Workforce Leadership of Texas, the group that represents local workforce board chairs and executive directors, also expressed concern that TWC does not adequately take into account regional differences in cost of care.[11]

- Unlike the formulas used to allocate child care funds to local boards, TWC does not set in formal published rules the method for determining performance measure targets. Throughout the Sunset staff's fieldwork, local boards frequently expressed frustration because they were not able to obtain information from TWC on how the agency determined the targets for the number of children each area must serve; or the data TWC used to calculate each boards' average cost per child. One local board director finally filed an open records request to get this information from TWC, and eventually received it.

  TWC does not request formal input from the boards on the method used for determining targets, though discussions may occur throughout the year.[12] Child care staff from local boards across the state commented that they have little input on performance measures and targets. Also, local child care staff stated that while they may comment on rules when they are posted, TWC does not involve them in the development of the rules.[13]

Recommendation

Change in Statute

6.1 Create a Child Care Advisory Committee at the Texas Workforce Commission.

The committee, appointed by the Commission, would consist of nine members – two child care representatives on local boards, two child care board staff, two child care contractor staff and three child care advocates. The purpose of the committee would be to advise the Commission on state-level child care policies and their impact on local board operations. The committee's duties should include front-end involvement in the development of state-level TWC child care rules and policies with an impact on local services.

Management Action

6.2 TWC should charge the child care advisory committee with examining the child care allocation formulas, and providing recommendations on improving the formulas.

TWC should use the committee to study the appropriateness of the formulas in meeting the actual need for services in each local area, and the committee should evaluate alternative options.

6.3 TWC, with the advice of the child care committee, should develop formal methods for developing the recommended state target for the number of children served, to be provided to the Legislative Budget Board; and for assigning local targets, to be adopted as rules.

TWC should use the child care committee and the rulemaking process to develop formal methods for determining statewide and local performance targets for children provided with child care services. TWC should take into consideration the cost of more than one month of care, including summer child care. TWC should also use a more consistent methodology for determining administration and operations expenses that takes into account board budget size.

Impact

These recommendations would give local child care representatives and advocates much greater input on the important child care policy decisions made at the state level, thus continuing to improve the performance of the child care program. The child care committee would be more focused and limited than the previous committee, and would provide valuable insight to TWC on the impact proposed rules might have at the local level.

Fiscal Implication

The creation of a Child Care Advisory Committee would have a minimal fiscal impact. Existing staff resources could be used to support the committee. Travel costs for the committee would be minimal. Sunset estimates that total expenses for quarterly meetings would be $12,000 annually.

Fiscal Year	Cost to General Revenue
2004	$12,000
2005	$12,000
2006	$12,000
2007	$12,000
2008	$12,000

[1] Texas Administrative Code, title 40, part 20, rule 800.171.

[2] Telephone interview with TWC, Commission staff (Austin, Texas, April 3, 2002); and legislative staff (Austin, Texas, April 19, 2002).

[3] Texas Administrative Code, title 40, part 20, rule 800.58.

[4] Texas Labor Code Ann., ch. 302, secs. 302.004 and 302.062.

[5] Texas Workforce Commission, *Review of Child Care Allocation Formulas Pursuant to SB 1391, 76th Legislature* (Austin, Texas, November 2000).

[6] Florida Partnership for School Readiness, "Allocation methodology/funding matrix for Florida 2000-2001," e-mail to Sunset Advisory Commission, March 14, 2002.

[7] Texas Workforce Commission, "Sunset Questions," e-mail to Sunset Advisory Commission, March 26, 2002.

[8] Interviews with child care contractors and local board staff (Austin, Texas, December 19, 2001); (Austin, Texas, February 25, 2002); and (Killeen, Texas, March 14, 2002).

[9] Texas State Plan for Child Care and Development Fund Services 2002-2003, p. 40.

[10] Texas Administrative Code, title 40, part 20, rule 800.58.

[11] "The Workforce Leadership of Texas' Sunset Priorities," submitted to Sunset January 9, 2002.

[12] Telephone interview with TWC Child Care Services Department staff (Austin, Texas, March 1, 2002).

[13] Interview with local board area child care staff (Austin, Texas, January 30, 2002).

Issue 7

TWC Is Not Taking Advantage of an Opportunity to Track the Impact of Subsidized Child Care in Helping Families Get Off, and Stay Off, Welfare.

Summary

Key Recommendation

- Require TWC to track employment-related outcomes of parents receiving subsidized child care.

Key Findings

- TWC provides more than $426 million in child care subsidies to help Texas families get off, and stay off, welfare.
- TWC tracks several child care performance measures, but does not track the program's success in helping keep parents employed.
- Without better information on parents' employment-related outcomes, TWC cannot measure, or tailor, its programs to ensure the most effective use of child care subsidies.

Conclusion

Along with providing quality care, one of the main goals of TWC's child care program is to help ensure that families remain independent from welfare. Given that experts estimate subsidized care only serves 7 percent of eligible children, and that more than 40,000 children are on waiting lists for care, targeting these resources is critical. The Sunset review looked at how TWC assesses this program's impact on self-sufficiency for families served. Sunset staff found that the Commission is not tracking the employment outcomes tied to achieving this goal of independence, even though TWC could collect this data with its existing follow-up capabilities. This information would enable TWC to measure the impact of this significant investment of funds in helping these families stay off of welfare. Local boards could better tailor services to ensure consistent and effective use of costly child care subsidies in moving parents towards self-sufficiency. This information would also help lawmakers to evaluate both policy and funding issues based on clearer data on these outcomes of subsidizing child care.

Support

The purpose of TWC's child care program is to provide access to quality child care that enables low-income parents to work, attend school, or attend training.

For low-income working families, child care costs can represent one third of their income.

- For families on welfare or with low incomes, the cost of paying for child care poses a major barrier to working or participating in the training needed to get a job. Unsubsidized child care can cost more than $5,000 a year per child, representing one-third of the income of low-income families, and the second largest single expense, after rent or mortgage.[1]
- The Legislature, as part of welfare reform, moved Texas' subsidized child care program from the Department of Human Services to TWC in 1996, to better link subsidized child care with the employment and training services needed to help parents get and keep jobs.
- Congress, as part of its reform efforts, has significantly increased funding for subsidized child care. From 1996 to 2001, the federal government more than doubled subsidized child care funding to Texas, increasing it from $157.3 million to $335.6 million.

TWC provides more than $426 million a year in child care subsidies to help Texas families get off, and stay off, welfare.

- Child care funds of $426 million now account for almost half of TWC's annual budget of about $1 billion. The federal government funds the majority of subsidized child care in Texas, with the State contributing 21 percent of the funds, or $90 million, in 2001.
- TWC serves three categories of parents, as described in the chart, *Child Care Categories:* parents on welfare or food stamps who are participating in TWC employment and training programs, parents who are working but transitioning off welfare, and working low-income parents. Transitional and low-income parents must pay a co-payment for services, ranging from 9 to 15 percent of their income.[2]

Child Care Categories - FY 2001

Category of Care	Definition/ Eligibility	Average Number of Children Served per Day	Percentage In Each Category
Welfare	Parents receiving TANF cash assistance or food stamps and actively participating in TWC employment or training services.	20,533	20%
Transitional	Parents who are working but transitioning off welfare.	9,311	9%
Low-income/ At-risk	Low-income working parents at risk of becoming dependent on welfare.	72,531	71%
Total		**102,375**	**100%**

- TWC allocates child care funding to the 28 local workforce development boards who contract for the provision of child care services locally. Local boards set several child care policies, including income eligibility requirements for low-income parents.

- In fiscal year 2001, TWC funded child care services for an average of 102,375 children per day. The chart, *Child Care Categories,* shows the number of children in each category of care. Enrolled children receive care as long as their parents are eligible, unless funding limitations require removing at-risk children from care to serve children in the priority welfare and transitional categories.[3] While only estimates, studies indicate that only about 7 percent of eligible children in Texas actually receive services.[4] Most local boards have long waiting lists for low-income families in need of child care. In fiscal year 2001, TWC estimates that almost 40,000 children of low-income, working families waited on such lists.

Studies indicate only about 7 percent of eligible children in Texas receive child care benefits.

TWC tracks several child care performance measures, but does not track the program's success in helping keep parents employed.

- The textbox, *Child Care Performance Measures,* describes TWC's child care measures. These measures track the number of children served, the cost for different groups, and certain quality measures tied to providers. While TWC needs to track this information, these measures do not provide the State or local boards with any indication of the effectiveness of this key support service. Given the long waiting lists in many areas, another child is usually available to fill a vacant slot. However, serving large numbers of children does not indicate how effectively TWC serves the employment needs of their parents.

Child Care Performance Measures - FY 2001

Measure	Number
Average number of children served per day	102,375
Average cost per child per day for Welfare and Food Stamp child care services	$16.32
Average cost per child per day for transitional and low-income child care services	$13.14
Number of children on waiting lists for low-income, at-risk child care	39,193
Percent of child care providers who have exceeded minimum licensing standards, called Texas Rising Star providers	41%
Number of caregivers trained through TWC child care training program	84,361
Average cost per caregiver in TWC child care training programs	$23.57

- Studies often cite child care as crucial to welfare or low-income families getting and keeping jobs.[5] TWC has computer systems to track welfare and child care data, but does not use these systems to compile information on the role child care subsidies play in helping parents stay off welfare. Beyond basic program eligibility requirements, TWC does not track employment outcomes for these parents to see if they are getting jobs, keeping jobs, or earning more money.

TWC does not track how many families return to welfare, even after a significant investment in child care assistance.

TWC also does not examine if eligible parents keep subsidized child care when they transition to work, how long families continue to need this assistance, or how many return to welfare, even after a significant investment in child care assistance. In addition, TWC does not examine the reasons parents may leave care to determine if services were successful, or if problems resulted in parents being cut off from assistance.

- As a result of H.B. 1348, enacted by the Legislature in 2001, TWC's Child Care Services staff will conduct a demonstration project to study families in subsidized child care for three or more years to determine the services needed to help these families move off subsidized care. This project is a one-time study, but should produce useful information to help better manage services to these clients.

Without better information on parents' employment-related outcomes, TWC cannot measure, or tailor, its programs to ensure the most effective use of child care subsidies.

- Evaluating the effectiveness of subsidized child care is nearly impossible if employment-related outcomes of the child's parents are not tracked. Parents could be taking advantage of this support, but not using it to effectively move towards independence.

- Not tracking the length of time families receive care makes it difficult to plan for effective service delivery. While TWC has advised local boards that their child care program drop-out rates are important for planning purposes, TWC does not systematically track how long families receive care. Experts estimate that the average length of time a child is in care is about six to seven months, with children frequently moving in and out of care, particularly children of welfare families.[6] Frequent changes to child care arrangements make it difficult to ensure that children continue to receive quality care.

  However, local boards also report having some low-income, at-risk families in the child care program for several years, some up to nine years.[7] For families that stay in care for several years, additional training may be more cost effective. Subsidized child care for a child of low-income parents in fiscal year 2001 cost on average $13.14 per day, or about $3,430 per year. In contrast, the average annual cost of Workforce Investment Act (WIA) training and job assistance is $2,000.[8] Tracking these timeframes would enable TWC to determine when it might be more cost effective to intervene with additional training.

- TWC overlooks a key factor in obtaining self-sufficiency by not tracking increased earnings. As mentioned earlier, child care costs represent a large portion of many low-income families' earnings. Without increased earnings, low-income parents will never be able to become self-sufficient. Better information on the level of wages needed to successfully become independent of subsidies would allow TWC to better serve these families.

- Another missed opportunity is not studying the reasons parents leave the child care program at certain points in their transition from welfare to work, even though caseworkers record much of this information on TWC's computer system. Families transitioning off welfare are given priority for maintaining subsidized child care, but many do not take advantage of additional support.

  Parents leave the child care program for a variety of reasons – they may earn too much to qualify for services, or they may have lost their job. TWC might stop payments because the children missed too many days of care, or the parents failed to report changes in eligibility, or submitted late paperwork. Better understanding the reasons parents get cut from the child care program, or leave on their own, would allow more effective planning, as well as give the agency the opportunity to get credit for parents who leave the program successfully.

TWC can match child care and wage records to get key outcome information at a very low cost.

As the administrator of unemployment benefits for the State, TWC can readily compile data on the employment outcomes of parents receiving subsidized child care.

- TWC's Career Development Resources (CDR) gathers performance data for several TWC programs, and for other state agencies. CDR can match program data to wage records within TWC to get key outcome information at a very low cost. This information includes whether participants got jobs, increased their earnings, and kept their jobs. For example, CDR linked records with the Texas Department of Human Services to determine if participation in TWC's Skills Development Program resulted in reducing the amount of TANF and food stamps received by eligible clients.[9]

- Even though child care services have been housed within TWC since 1996, the agency has not taken advantage of the opportunity to track employment outcomes for TWC customers receiving subsidized child care. In response to Sunset staff inquiries, CDR staff reported that a child care variable could be added to workforce client computer records to note if a client received child care services, and the amount of benefits received. CDR could then match this program data to wage records to get key employment outcome information for these customers.

Recommendation

Change in Statute

7.1 Require TWC to track employment-related outcomes of parents receiving subsidized child care.

This recommendation would require TWC to begin tracking the employment-related outcomes of parents receiving child care services. The employment data to be tracked should include information such as whether parents receiving both welfare and child care subsidies get jobs, and whether transitional and at-risk parents keep their jobs and increase their earnings. The agency's Career Development Resources should compare this information with employee wage records to obtain employment outcomes for these parents. TWC's Child Care Services Department should track how long families receive care, whether families keep their care as they transition to work, the reasons they leave the program, and if families that leave are returning to welfare. TWC's existing computer systems should be adjusted to capture this data. TWC should compile and analyze this information at the state level, and make all the data available to local boards. Individual boards and program staff would be responsible for interpreting the data and making needed changes to improve outcomes over time. TWC should also report its findings to the Legislature in 2005 to facilitate lawmakers' evaluation of the effectiveness of this investment in child care to support low-income parents' ability to work.

Impact

This recommendation would help show how well the child care program supports the Commission's goal of helping families find and keep employment. Potential changes to the subsidized child care program present challenges to TWC and local boards, which makes good outcome information crucial for planning purposes. Proposed federal changes could require more parents who receive welfare benefits to work, thus increasing the demand for these services. Because children of parents on welfare receive priority, local boards may have less money available to serve low-income, working families. This recommendation would provide TWC and local boards with information they need to help address a growing demand for services, and to best allocate resources across different groups. Focusing on the employment-related outcomes of parents who receive child care subsidies would not diminish TWC's efforts to provide quality care for children, but would simply emphasize another aspect of this valuable resource for low-income families. Tracking employment-related data would help TWC ensure positive employment outcomes for parents who receive child care subsidies, and thus provide more stable lives for the children of these low-income families.

Fiscal Implication

This recommendation would have some costs, but could be accomplished using existing staff and computer resources, with no fiscal impact to the State.

[1] James Barsimantov and Linda Giannarelli, *Child Care Expenses of America's Families* (Washington, D. C: Urban Institute, December 2000), p. 4; and "2000-2001 Report Child Care Market Rate Survey," Center for Social Work Research–University of Texas at Austin, September 25, 2001.

[2] Texas State Plan for Child Care and Development Fund Services 2002-2003, pp. 56-58.

[3] Texas Administrative Code, title 40, part 20, rule 809.225.

[4] U.S. Department of Health and Human Services, "2001 Poverty Guidelines," http://aspe.hhs.gov/poverty/01poverty.htm. Accessed: February 2, 2002.

[5] Southern Regional Task Force on Child Care, *Action Plan to Improve Access to Child Care Assistance for Low-Income Families in the South* (Columbia, SC: December 2000), p. 1; and Gina Adams and Monica Rohacek, *Child Care and Welfare Reform* (Washington, D.C.: Brookings Institution, February 2002).

[6] Gina Adams, et al., *Getting and Retaining Child Care Assistance: How Policy and Practice Influence Parents' Experiences* (Washington, D.C.: The Urban Institute, March 2002), p. 3; and Deanna T. Schexnayder, et al., *Texas Subsidized Child Care Utilization Patterns and Outcomes* (Austin, Texas: Center for the Study of Human Resources, University of Texas at Austin, June 1999), p. 23.

[7] Interview with local workforce board and contractor staff (Austin, Texas, February 28, 2002); and interview with local child care staff (Arlington, Texas, January 5, 2002).

[8] Interview with TWC Workforce Services Delivery staff (Austin, Texas, April 10, 2002).

[9] Texas Workforce Commission, *Automated Student and Adult Learner Follow-Up System Final Report 2000* (Austin, Texas, August 2001), p. 147.

Issue 8

Partial Transfers of Unemployment Compensation Experience Rates Unfairly Cost Texas Employers Millions Each Year.

Summary

Key Recommendations

- Authorize TWC to deny a partial transfer of unemployment compensation experience if TWC determines the acquisition or reorganization was done solely to qualify for a reduced tax rate by circumventing the experience rating system or eliminating chargebacks.
- Establish a six-month time limit for employers to file an application for a partial transfer due to an acquisition or reorganization.
- Prohibit partial transfers for part of an organization, trade, or business that cannot operate independently.

Key Findings

- TWC collects unemployment insurance taxes from Texas employers to ensure adequate funding of benefit payments and on-going solvency of the Unemployment Trust Fund.
- Some employers use partial transfers to unfairly lower their experience tax rate and unemployment insurance taxes.
- Partial transfers also allow some employers to leave behind chargebacks, the costs of which all experienced-rated employers in Texas must share.
- Other states have clear statutory provisions limiting the transfer of employers' experience tax rates.

Conclusion

Some employers use partial transfers to unfairly reduce their unemployment insurance taxes and to leave behind costs of unemployment benefits paid to employees they have laid off. These costs ultimately result in a temporary depletion of the Unemployment Compensation Fund, which the Texas Workforce Commission (TWC) predicts will become insolvent in November 2002. TWC eventually recoups these costs by increasing other Texas employers' unemployment insurance taxes through the replenishment tax and the replenishment ratio.

Sunset staff analyzed the intent and use of partial transfers both within Texas and other states, and concluded that employers should not use partial transfers to unfairly reduce their unemployment insurance tax rates. Partial transfers should be denied if done solely to circumvent the experience rating system or eliminate chargebacks. In addition, partial transfers should only apply to businesses or portions of businesses that can operate independently of the business from which they are transferring, and be requested on a timely basis.

Support

TWC collects unemployment insurance taxes from Texas employers to ensure adequate funding of benefit payments and on-going solvency of the Unemployment Compensation Fund.

- TWC collects unemployment insurance taxes from Texas employers and deposits them in the Unemployment Compensation Fund. This Fund pays out unemployment benefits to temporarily unemployed individuals who use this as temporary income support while seeking work.
- An employer's unemployment insurance tax rate consists of three taxes - the general tax, replenishment tax, and deficit tax. The chart, *Texas Unemployment Tax,* explains each of these taxes in detail.[1] TWC assigns new employers an entry-level general tax rate of 2.7 percent, which stays in place for 18 months. After the initial period, new employers become eligible for a general tax rate based on their unemployment experience.
- Employers who have experience with the unemployment insurance system receive a general tax rate based on their history of layoffs. When a worker is laid off and collects unemployment insurance benefits, TWC charges the former employers' tax account for these benefits. These benefits, called chargebacks, are described in the textbox, *What Are Chargebacks?*. The amount of chargebacks associated with the employer determines the employer's experience tax rate. Therefore, employers with a history of layoffs have a higher general tax rate, based on their experience with the system. In 2002, an experienced employer's general tax rate can range between 0 percent and 6 percent. The effective tax rates for employers, which include the sum of the general, replenishment, and deficit tax rates, range between .30 percent and 6.54 percent.[2]

What Are Chargebacks?

Chargebacks are the amount of unemployment benefits paid to former workers that are charged to an employer's tax account when the employer lays workers off.

- At times, a worker's unemployment benefits cannot be charged to a specific employer because the employer's tax account is inactive. Inactive accounts usually result from an employer going out of business. All experienced employers must pay additional unemployment taxes to recoup these costs as well as other chargebacks that the Legislature has determined should be shared among all employers.[3] TWC collects half of these costs with the Replenishment Ratio through the General Tax Rate calculation. TWC collects the other half through the Replenishment Tax.

Texas Unemployment Tax		
Tax	**Definition**	**Calculation**
General Tax	The tax used to repay the Unemployment Compensation Fund (Fund) for benefits paid to the employer's former workers. **This tax is based on the employer's experience with the system. Employers who have had their accounts charged as a result of benefits paid to a former worker (chargebacks) will pay a higher general tax rate.** The general tax is equal to 0 if none of the employer's former workers received unemployment benefits for the last three years.	The General Tax Rate (GTR) is computed by multiplying the employer's Benefit Ratio by the year's Replenishment Ratio, a multiplier used to collect one half of benefits owed to the Fund but not charged to any specific employer. The Replenishment Ratio is equal to half of the total amount owed to the Fund for these cases. GTR = Benefit Ratio X Replenishment Ratio; Benefit Ratio = $\frac{\text{3 years of chargebacks}}{\text{3 years of taxable wages}}$
Replenishment Tax	**A flat tax to replenish the Fund for one half of the benefits paid to eligible workers that were not charged to any specific employer. Because no one employer can be held liable for these benefits, the cost is shared among all experience-rated employers.** Half of the loss is collected with the replenishment ratio through the GTR and the other half through the replenishment tax.	The Replenishment Tax Rate (RTR) is calculated by dividing half of the unemployment benefits paid to eligible workers, but that could not be charged to any specific employer, by one year's total taxable wages. The RTR for 2002 is .29 percent. RTR = $\frac{\text{One half benefits paid but not charged to any employer}}{\text{One year's total taxable wages}}$
Deficit Tax	A tax to restore the Fund balance back to its legislatively mandated floor (minimum reserve level). **This tax is only in effect when the Fund falls below the floor on October 1st of any given year.** The floor is set at 1.0 percent of the total taxable wage base. The Deficit Tax Rate (DTR) is derived by multiplying the Deficit Ratio by the employer's last year's total unemployment insurance (UI) tax rate.	The Deficit Ratio is calculated by dividing the amount of the deficit by the previous year's revenue from the general and replenishment taxes. The Deficit Ratio for 2002 is 0.04. DTR = Deficit Ratio X Employer's total UI tax rate from the previous year; DR = $\frac{\text{Trust Fund Deficit on October 1}}{\text{Revenue from general and replenishment tax for previous year}}$

An employer's experience tax rate may transfer to another employer in certain instances.

- An employer's experience tax rate fully transfers to another employer when all of the organization, trade, or business is acquired; the operation of the organization, trade, or business is continued; and certain relationships exist between the previous employer and new employer as prescribed in the Texas Unemployment Compensation Act.[4]

- A partial transfer of an experience tax rate may occur when both the previous employer and new employer apply for the transfer; the acquired portion of the organization is identifiable and can be segregable, or separated; and the application is approved by the Commission.[5] The Tax Department makes the initial determination regarding these applications and either denies the application or recommends approval to the Commission. If the application is denied, an employer may request a hearing. In partial transfers, the new employer acquires the experience tax rate of the previous employer for the year of the acquisition. The rate for the following year is based on the wages of the employees that were transferred.

Some employers use partial transfers to unfairly lower their experience tax rate and unemployment insurance taxes.

- The statute authorizes TWC to approve a partial transfer if the acquired portion of an organization, trade, or business is "identifiable and can be segregable".[6] Historically, TWC has interpreted identifiable and segregable to mean that the acquired portion of the business is a completely separate part of the business that can operate alone. For example, a fast-food restaurant chain may choose to sell or split off a particular store. The experience rating of the entire chain could transfer to the new store until the store qualified for its own experience rating.
- However, TWC's statute and rules do not clearly define identifiable and segregable. Therefore, the acquired portions of a business or organization do not have to be able to operate alone and the transfers do not have to involve actual acquisitions of assets.[7]

  For example, some employers claim that a division or a few employees are separate portions of a business, even though these portions cannot operate on their own. An employer takes a division and claims they have set up a new business. The employer transfers a few employees that usually do not have chargebacks associated with them into the new business to get a low experience tax rate for the new business. Once the new experience tax rate is established, substantially all of the remaining employees transfer into the new business with the low experience tax rate, reducing the employer's UI taxes significantly. The low experience rating now applies to all of the workers and the employer has successfully lowered the amount of unemployment tax owed. An example of the use of partial transfers is shown in the textbox, *How Do Employers Use Partial Transfers Unfairly?*

How Do Employers Use Partial Transfers Unfairly?

Company A has 14,000 employees and a tax rate of 1.54 percent. Company B registered as a new employer, indicating they acquired the Human Resources division of Company A which includes 15 workers with few chargebacks associated with them. Company B ultimately receives a low (.30 percent) experience rating based on the partial transfer. Once this low rating is achieved, substantially all of the workers from Company A are moved into Company B increasing Company B's payroll to over $50 million. The low experience rating now applies to all of Company B's workers. By moving the employees into a new company, the employer was able to save more than $1 million dollars in unemployment taxes.

- The law governing partial transfers also does not include a time limit for filing partial transfers. Some service agents and accounting firms have begun to take advantage of this by offering to analyze an employer's business practices in prior years to identify cost savings through partial transfers. Because no time limit on filing partial transfers exists, TWC has received applications for partial transfers based on reorganizations or acquisitions that occurred more than three years ago. TWC does not have the time or resources available to fully research the validity of these applications. Also, due to the amount of time that has passed, information that could be used to dispute the application may no longer be available.

- Employers who use partial transfers to unfairly lower their experience tax rate end up paying less in unemployment insurance taxes, which results in less money being deposited in the Unemployment Compensation Fund. Any resulting shortfalls in the Fund must be made up by additional taxes assessed on all Texas employers.

Unemployment Compensation Fund shortfalls, resulting from unfair transfers, cost Texas employers.

The Fund has been below its statutorily required balance since October 2001, and TWC projects that it will become insolvent in November 2002, which will force the State to have to borrow funds from the federal government to pay out unemployment benefits. As a result, Texas employers were assessed a deficit tax in January 2002 to restore the Fund to its statutorily required balance, and could be assessed an additional interest tax to pay for the interest on funds borrowed from the federal government.

Partial transfers also allow employers to leave behind chargebacks, the costs of which all experienced-rated employers in Texas must share.

- Although a worker may no longer be on a business's payroll, the worker's wage records are still associated with the last business that he or she worked for. This association allows TWC to charge the former employer's unemployment insurance tax account for any unemployment benefits the worker may qualify for. If the employer's tax account is inactive, all experience-rated employers in Texas must share the cost through the replenishment tax and the replenishment ratio.
- The majority of workers and wage records transferred through partial acquisitions are those of workers that do not have unemployment benefit costs, or chargebacks associated with them.[8] Employers leave behind all or substantially all of the wage records that have chargebacks associated with them in the prior business' tax account which, in many cases, becomes inactive once the transfer occurs.

Chargebacks cost employers an average of $283 each in additional UI tax each year.

- In 2002, the 385,341 experience-rated employers in Texas shared $109 million in chargebacks due to inactivation of employers' accounts. These chargebacks cost employers an average of $283 each in additional unemployment insurance tax.[9] The chart, *Shared Chargeback Costs*, shows the total amount of chargebacks experience-rated employers have had to share the cost of in addition to their regular unemployment insurance taxes. According to TWC, a substantial portion of these costs is directly attributable to chargebacks left behind by medium to large businesses that continue to operate after partial transfers occurred.[10]

Shared Chargeback Costs			
Year	Chargebacks Attributable to Inactive Employer Tax Accounts (in millions)	Number of Employers Sharing Costs	Average Additional Cost to Each Employer
1996	$88.7	355,993	$249
1997	$89.4	364,592	$245
1998	$89.9	370,447	$243
1999	$82.5	374,093	$221
2000	$108.5	376,728	$288
2001	$91.2	382,171	$239
2002	$109.0	385,341	$283

Other states have clear statutory provisions limiting the transfer of employers' experience tax rates.

- The laws in six states specifically state that no transfer may be made if it is determined that acquisitions were made solely for the purpose of qualifying for a reduced experience tax rate.[11] These states can deny applications for partial transfers if they determine that an acquisition was made just to qualify for a reduced experienced tax rate. The employer either retains his or her current experience tax rate, or receives the experience tax rate for new employers. Having this authority allows states to prevent employers from manipulating the system and ensures that employers pay the full amount of unemployment insurance taxes they owe.

Recommendation

Change in Statute

8.1 Authorize TWC to deny a partial transfer of unemployment compensation experience if TWC determines the acquisition or reorganization was done solely to qualify for a reduced tax rate by circumventing the experience rating system or eliminating chargebacks.

This recommendation would provide TWC with clear statutory authority to deny partial transfers if the agency determines that an acquisition or reorganization is done to circumvent the experience rating system or eliminate chargebacks. This authority would help deter employers applying for partial transfers just to reduce the amount of unemployment insurance taxes they owe, and help ensure that approved partial transfers are legitimate transfers.

8.2 Establish a six-month time limit for employers to file an application for a partial transfer due to an acquisition or reorganization.

Requiring employers to file within six months would help prevent employers from filing partial transfers based on reorganizations or acquisitions that may have occurred several years ago. TWC does not have the staff, time, or resources to verify reorganizations or acquisitions that employers claim had occurred several years ago. This recommendation would also deter employers from leaving chargebacks behind in inactive accounts. Employers would not have enough information available on old wage records to determine which former employees have chargebacks associated with them. Without this information, employers would not be able to transfer only employees without chargebacks to the new business, and leave employees with chargebacks behind in an inactive employer account.

8.3 Prohibit partial transfers for part of an organization, trade, or business that cannot operate independently.

When a part of a business splits off either through a reorganization or acquisition, the intent of partial transfers is to allow the separated part to receive the experience tax rate of the business from which it separated. However, the part of the business that splits off should be able to operate independently of the business in which it is located. This recommendation would prevent businesses from simply splitting off a few employees or division as a new business to gain a more favorable experience tax rate. This recommendation would require the part of the business being transferred to be a stand alone part of the business, able to operate on its own, not just a few select employees or a particular division of the business.

Impact

These recommendations would help prevent unfair manipulation of the partial transfer process by limiting the partial transfer of unemployment compensation experience to only those transfers that are actual bona fide acquisitions or reorganizations. Employers would not be able to simply reorganize or set up a new business just to receive a more favorable experience rating and thus lower their unemployment insurance taxes.

Eliminating the unfair use of partial transfers would ensure that employers are paying their full share of unemployment insurance taxes thus helping keep the Unemployment Compensation Fund solvent. Finally, these recommendations would reduce the amount of additional unemployment insurance taxes most employers must pay to cover the cost of unemployment benefits for workers whose former employers no longer have active unemployment insurance accounts.

Fiscal Implication

These recommendations would prevent additional losses to the Unemployment Compensation Fund due to the unfair use of partial transfers, and would indirectly reduce experience-rated employers' unemployment insurance tax rates. TWC estimates that in 2000 and 2001, the Unemployment Compensation Fund lost more than $7 million due to partial transfers, and that Texas experienced-rated employers paid approximately $283 each year, in addition to their general unemployment insurance taxes, for chargebacks that could not be charged to a specific employer account. However, TWC could not estimate the actual reduction in employer taxes that would result from these recommendations.

[1] Texas Workforce Commission, *Your Unemployment Tax - 2002*. Online. Available: http://www.twc.state.tx.us/ui/tax/unemptax2002.html. Accessed: February 21, 2002.

[2] Information provided by TWC Unemployment Insurance Tax Department (Austin, Texas, November 15, 2001).

[3] The replenishment tax and replenishment ratio also recoup chargebacks that the Legislature has determined should be shared among all employers. Texas Unemployment Compensation Act, Texas Labor Code Ann., ch. 204, sec. 204.022.

[4] Texas Unemployment Compensation Act, Texas Labor Code Ann., ch. 204, sec. 204.083.

[5] Texas Unemployment Compensation Act, Texas Labor Code Ann., ch. 204, sec. 204.084(a).

[6] Texas Unemployment Compensation Act, Texas Labor Code Ann., ch. 204, sec. 204.084(c)(3).

[7] Interview with Texas Workforce Commission, Unemployment Insurance Tax Department staff (Austin, Texas, November 6-7, 2001).

[8] Information provided by TWC Unemployment Insurance Tax Department (Austin, Texas, November 15, 2001).

[9] Information provided by TWC Unemployment Insurance Tax Department (Austin, Texas, March 1, 2002). The actual cost to each employer is dependent upon the amount of wages the employer reported.

[10] Telephone interview with Texas Workforce Commission, Unemployment Insurance Tax Department staff (Austin, Texas, February 22, 2002); and information provided by TWC Unemployment Insurance Tax Department (Austin, Texas, March 1, 2002).

[11] Office of Workforce Security, TAXATION Table 203.—Transfer of experience for Employer Rates. Online. Available: http://workforcesecurity.doleta.gov/unemploy/uilawstable.asp.

Issue 9

TWC Lacks the Authority Necessary to Protect Students From Unlicensed Proprietary Schools.

Summary

Key Recommendation

- Authorize TWC to issue a cease and desist order to bring an unlicensed proprietary school into compliance with state law.

Key Findings

- TWC regularly identifies numerous proprietary schools illegally operating in Texas, without a license or authorized exemption.
- Seeking injunctions against unlicensed schools through the court system has not been an effective or timely option.
- The continued operation of unlicensed schools places students at risk.
- Other state agencies, in Texas and other states, use cease and desist authority to successfully bring unlicensed proprietary schools and businesses into compliance.

Conclusion

TWC licenses proprietary schools in Texas to protect students from fraud and poor quality training. The Sunset review focused on how well the State is positioned to deal with problem schools. Sunset staff found that while TWC has a variety of enforcement tools to ensure the compliance of licensed schools, the agency has limited authority to ensure the compliance of uncooperative unlicensed proprietary schools. Students attending proprietary schools operating without a license are at risk because checks are not conducted to ensure that the schools offer quality instruction, train for jobs locally in demand, or are financially sound. While most unlicensed schools identified by TWC voluntarily comply, giving TWC cease and desist authority would give the agency a much needed tool to bring these schools into compliance sooner, and better protect students from poor quality education and tuition loss.

Support

TWC licenses proprietary schools in Texas to protect students from fraud and poor quality training.

TWC licenses 361 proprietary schools, serving 86,890 students.

- TWC currently licenses 361 proprietary schools in Texas, serving approximately 86,890 students.[1] The textbox, *What is a Proprietary School?,* defines proprietary schools. TWC requires schools to prove financial soundness; that the instructors and administrators of a school possess adequate qualifications; that curriculum content aids students in meeting program objectives; and that only occupations or trades with demonstrated local demand are taught by the schools.[2] TWC inspects most of the schools annually. Onsite inspections include a review of a school's financial status, instructor performance, student record keeping, and student program completion and employment rates. State law allows for 17 exemptions from licensure, including employer-sponsored training, daylong seminars, and recreational programs.[3] In addition to the 361 schools regulated by TWC, 110 schools have been granted exemptions.
- TWC ensures the compliance of licensed schools through a variety of sanctions and penalties. The range of sanctions includes assessing a fee for late license renewals, administrative hearings, or revoking a license for more serious violations.[4] In the event of a school closure, the Tuition Protection Fund (TPF) and surety bonds protect students enrolled in licensed schools. The bonds cover all or part of the tuition and fees that would have to be refunded if a school closes, and the TPF covers refunds after bonds have been depleted. TWC can also place students in a cooperating, licensed school to allow students to complete their education.

TWC regularly identifies numerous proprietary schools illegally operating in Texas, without a license or authorized exemption.

- Between February 2001 and March 2002, TWC identified 96 unlicensed schools.[5] TWC identifies illegally operating schools through its own research efforts and the help of licensed school operators and students with complaints. TWC estimates that hundreds of additional schools could be operating without a license, but because these schools open and close so frequently, TWC has no way of knowing how many of these schools may be operating in Texas.[6] The majority of unlicensed schools claim ignorance about proprietary school licensing laws, although the law and TWC contact information is readily available on the Web sites of TWC, the Comptroller of Public Accounts, and the Texas Department of Economic Development.[7]

What is a Proprietary School?

Proprietary schools are private schools that train students for careers in a wide variety of occupations and trades, such as court reporting, information technology, and culinary arts. The length of programs can vary from 4 weeks to 2-4 years; and completion can result in certificates, diplomas, associate degrees, and sometimes even baccalaureate degrees.

- When TWC identifies an unlicensed school, it notifies the school of non-compliance with state law via mail. The school has 15 days to respond by requesting an application, submitting a letter requesting an exemption, or ceasing operations.[8] If a school does not respond to TWC's requests, TWC sends a second letter to provide a final opportunity to respond. TWC follows up these letters with multiple phone calls and when necessary, visits to the school.[9]
- The chart, *Status of Unlicensed Proprietary Schools*, details the results of TWC's efforts to bring unlicensed schools into compliance. Of the 96 unlicensed schools identified, TWC brought 24 into compliance with a license or valid exemption, while another 30 simply ceased operating. The remaining 42 schools are in the process of completing applications or requesting exemptions, but continue to operate as an unlicensed facility until they complete all the necessary requirements.

Status of Unlicensed Proprietary Schools*

Status	Number of Schools
In process of compliance	42
Ceased operations	30
Brought into compliance	24
Total	96

*Identified between February 2001 – March 2002

- Some schools take almost a year to obtain compliance, or fail to ever do so.[10] Uncooperative schools fail to respond to TWC's repeated telephone calls and letters, take months to send in applications, or fail to produce documentation needed for a valid exemption. TWC's only option with these uncooperative schools is to seek an injunction to shut down the school.

Seeking injunctions against unlicensed schools through the court system has not been an effective or timely option.

- State law permits TWC to apply for an injunction through the Office of the Attorney General (OAG) to stop uncooperative schools from operating illegally.[11] In 1998 and 1999, TWC referred two cases to OAG. The cases involved unlicensed proprietary schools that refused to come into compliance. Each case remained at OAG for over a year and ultimately, neither case was prosecuted. The schools continued operating illegally while their cases remained open.[12] Crowded court dockets and defense attorney delays created delays for the cases.[13] Recently, OAG agreed to work closely with TWC to ensure that unlicensed proprietary school cases are assigned an attorney and given more prompt attention.[14] However, lengthy delays due to crowded court dockets and other unforeseen factors can still occur.

Unlicensed schools operate with no check on their financial soundness or teacher quality.

The continued operation of unlicensed schools places students at risk.

- Unlicensed schools operate with no checks on their financial soundness, the quality of teachers or curriculum, or the need for the occupation or trade being taught. In addition, if an unlicensed

> **How Much Tuition Can Students Lose?**
>
> Due to varied tuition rates, TWC cannot precisely estimate the amount of risk to individual students. At a minimum, however, students could lose $2,000 for a short program; and at most, a student could lose up to $10,000 for one semester at certain higher cost schools.

school goes out of business or closes, students are at risk of losing their tuition because they are not covered by the Tuition Protection Fund or surety bonds, as required for licensed schools. The textbox, *How Much Tuition Can Students Lose?*, details the potential tuition losses faced by students in unlicensed schools.

- Instructors in unlicensed schools do not undergo outside scrutiny to verify their credentials or possibility of a criminal history. Students have no assurance that these instructors receive annual performance reviews or take continuing education courses to keep up with changes in their field.
- Students have no assurance that unlicensed schools offer programs and courses that prepare them for jobs locally in demand, or a reasonable expectation of finding employment in that field of study. In contrast, TWC may suspend enrollment to licensed school programs that fail to maintain qualified instructors, adequate equipment, or good program outcomes, such as employment in the field of study.[15]

Other states use cease and desist authority to successfully bring unlicensed proprietary schools into compliance.

Florida reports getting voluntary compliance once schools are threatened with cease and desist orders.

- California, Florida, and Arizona have the authority to issue cease and desist orders to proprietary schools that fail to come into compliance despite repeated attempts by the regulatory entity. In each of these states, the cease and desist order is used as a last resort tool before referral to its Attorney General.[16] The regulatory entities prefer to work with a school until it comes into compliance, either by license, exemption, or an agreement to cease operations.

  In cases where a school proves resistant to these options, the regulatory entity's ability to issue a cease and desist order, enforceable by its Attorney General, significantly helps ensure compliance. Florida, for example, issued 109 cease and desist orders in the past two years, and 105 schools came into compliance voluntarily based on the threat of being shut down. Only four cases necessitated action beyond the order to ensure compliance.[17]

Other Texas state agencies effectively use cease and desist authority to bring unlicensed practitioners and businesses into compliance.

- The Texas Insurance Commissioner can issue a cease and desist order to keep individuals or organizations from selling fraudulent insurance policies.[18] Once the Commissioner identifies an unauthorized person or insurer, the State Office of Administrative Hearings conducts a hearing. If evidence supports the need to issue a cease and desist order, the Insurance Commissioner can issue the order. If the order is not followed, the Commissioner may refer the matter to OAG for enforcement. The Texas Department of Insurance believes the cease and desist order is useful in deterring the sale of unauthorized insurance plans.[19]

- The Texas Securities Commissioner can issue a cease and desist order to stop a person identified as selling fraudulent investment plans or misleading the public with deceptive advertising.[20] The Commissioner can hold a hearing to determine if a person conducted a fraudulent securities sale. If the Securities Commissioner decides that fraudulent actions occurred, the Commissioner issues a cease and desist order. The Securities Commissioner refers cases of noncompliance with a cease and desist order to OAG for further action, as necessary. Between September 2001 and March 2002, the Securities Commissioner issued three cease and desist orders; no case required action beyond the order.[21]

Recommendation

Change in Statute

9.1 Authorize TWC to issue a cease and desist order to bring an unlicensed proprietary school into compliance with state law.

This recommendation would provide TWC with an additional tool to bring uncooperative unlicensed schools into compliance in a timely manner. For schools that fail to come into compliance after being contacted on multiple occasions, TWC could issue a cease and desist order with a pre-determined hearing date. Hearings would be handled by the TWC Special Hearings Department. Only schools that fail to respond to the cease and desist order would be referred to the Consumer Protection Division of OAG for further action. To ensure that TWC has accurate information for tracking unlicensed schools potentially subject to cease and desist enforcement, TWC should restructure its database to clearly track these schools and actions taken to bring them into compliance.

Impact

TWC's primary concern regarding unlicensed schools is protecting students. Having the authority to issue a cease and desist order would give TWC a stronger tool, short of the legal system, for dealing with uncooperative schools that continue to operate illegally. Based on other regulatory agencies' experience, TWC anticipates that most schools will comply once notified of the order and pending hearing, and only a limited number of cases would be referred to OAG. Licensed schools failing to renew a license usually cooperate quickly after receiving notice from TWC of an administrative hearing. Research shows Florida has gained the same cooperation with regard to unlicensed schools that have been issued cease and desist orders. Additionally, the evidence that must be collected to issue a cease and desist order would be helpful to OAG if it ultimately receives a referral from TWC for an injunction.

Fiscal Implication

This recommendation would not have a fiscal impact to the State. TWC can perform the proposed cease and desist function with existing resources.

[1] Interview with Texas Workforce Commission (TWC), Proprietary School Department staff (Austin, Texas, November 8, 2001).

[2] Texas Education code Ann., ch. 132, sec. 132.052 - 132.055.

[3] Texas Education Code Ann., ch. 132, sec. 132-002 - 132.004.

[4] Texas Administrative Code ch. 807, sec. 807.17.

[5] TWC, Proprietary School Department staff, "Revised Listing of Unlicensed Schools and Current Status," e-mail to Sunset Advisory Commission, March 14, 2002.

[6] TWC, Proprietary School Division staff, "Question about Unlicensed Schools," e-mail to Sunset Advisory Commission, December 21, 2001; and "Replies to Sunset Staff Requests," e-mail to Sunset Advisory Commission, February 6, 2001.

[7] Interview with TWC, Proprietary School Department staff (Austin, Texas, January 31, 2002).

[8] TWC, Proprietary School Department, *Procedures Manual 2000*, Number 210.

[9] Interview with TWC (January 31, 2002).

[10] TWC, Proprietary School Department staff, "Revised Listing of Unlicensed Schools and Current Status," e-mail to Sunset Advisory Commission, March 14, 2002.

[11] Texas Education Code Ann., ch. 132, sec. 132.154.

[12] Interview with TWC (January 31, 2002).

[13] Telephone interview with Office of the Attorney General, Consumer Protection Division staff (Austin, Texas, February 21, 2002).

[14] Interview with TWC (January 31, 2002).

[15] Texas Administrative Code, ch. 807, sec. 807.104.

[16] Sunset Advisory Commission staff research of 25 states' laws, regulations, and practices in regard to unlicensed proprietary schools.

[17] Telephone interview with Florida Commission for Independent Education staff (Tallahassee, Florida, March 15, 2002).

[18] Texas Insurance Code Ann., ch. 101, sec. 101.001; 101.103; and 101.151 - 101.156.

[19] Telephone interview with Texas Department of Insurance, Enforcement Unit staff (Austin, Texas, March 1, 2002).

[20] Vernon's Texas Civil Statutes, title 19, art. 581-23 and 581-32.

[21] State Securities Board, Deputy Commissioner office, "Emergency C & D Orders," e-mail to Sunset Advisory Commission, March 18, 2002.

Issue 10

Restrictions on the Tuition Protection Fund Limit TWC's Ability to Safeguard Students If a Proprietary School Closes.

Summary

Key Recommendations

- Increase the ceiling on the proprietary school Tuition Protection Fund from $250,000 to $500,000.
- Increase from $50,000 to $150,000 the amount that can be spent per school closure from the Tuition Protection Fund.
- Clarify that refunds from the Tuition Protection Fund depend on the amount of funds available, and that a full refund cannot always be guaranteed.
- Request removal of the $75,000 appropriations limit on the total amount that can be paid out from the Tuition Protection Fund in any single year.

Key Findings

- TWC administers the Tuition Protection Fund, which helps to pay student refunds when a licensed proprietary school closes.
- Historically, the Fund's structure has not allowed full refunds to students of closed proprietary schools.
- The limit on refunds of $50,000 per school fails to cover students of large or high tuition schools that close.
- The current Fund appropriation of $75,000 per year is proving to be inadequate to cover annual expenses and tuition from school closures.

Conclusion

The Legislature set up the Tuition Protection Fund (TPF) to help protect students, with the cost fully covered by fees paid for by regulated proprietary schools. The Sunset review assessed whether TPF funding levels are adequate to protect students as intended by law, and found that changes over time have resulted in student refunds representing only a fraction of the amount actually due upon closure of a school. Raising the Tuition Protection Fund cap and removing spending caps would improve TWC's ability to protect students from tuition losses due to school closures. Clarifying in law that full refunds cannot always be guaranteed would help to better communicate to students what they face when a school closes.

Support

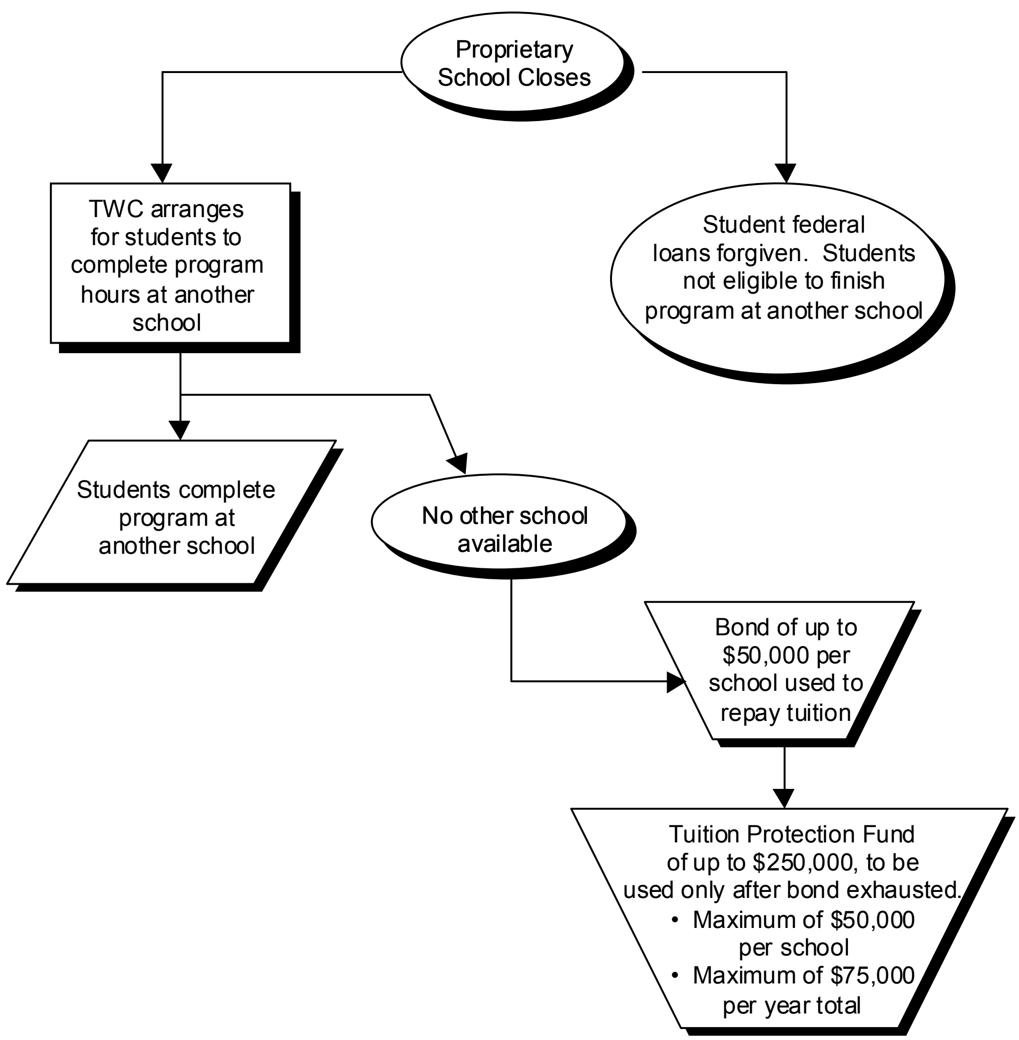
TWC administers the Tuition Protection Fund, which helps to pay student refunds when a licensed proprietary school closes.

The Tuition Protection Fund is fully supported by fees paid by licensed proprietary schools.

- The Tuition Protection Fund (TPF), established by the Legislature in 1989, covers 143,470 students enrolled in proprietary schools and seminar courses.[1] TPF is a dedicated revenue account fully supported by fees paid by licensed proprietary schools. If a proprietary school closes, state law requires TWC to provide full refunds of tuition and fees or the costs of completing training at another licensed school.[2] The Fund has a floor of $200,000 and a ceiling of $250,000.
- The flow chart, *Application of Tuition Protection Fund*, outlines the steps taken before using the TPF. Upon notice of a school closure, state law requires that TWC help students by arranging for students of closed proprietary schools to complete the remaining hours at another licensed school.[3] The school offering this assistance does so free of charge, unless staff need to be hired or facilities leased.[4] If such an arrangement cannot be made, students are entitled, under current law, to a full refund of tuition and fees.[5]
- Students using federal loans to pay for all or part of their tuition are eligible for loan forgiveness if a proprietary school closes. Students opting for a loan discharge lose eligibility to finish their education program at another school.[6] TWC waits for the movement of students to other schools, forgiveness of loans, and other refund-related issues before determining students' remaining refund rights.[7] This sequence can take more than a year.
- Once TWC determines refunds, a school pays tuition refunds from its surety bond. TWC licensure requires that schools maintain a surety bond in an amount based on the tuition and fees that would have to be refunded if a school closed, up to a maximum of $50,000.
- The Tuition Protection Fund pays student refunds only after other options have been exhausted. The amount available from the TPF per school, for tuition refunds, is a maximum of $50,000. The Fund can also be used to help cover costs associated with moving students to another school, with no spending limit. For fiscal year 2002-03, the Legislature appropriated $75,000 per year to TWC out of the Fund.[8]
- The TPF is replenished on January 1 any year the amount of the fund drops below $200,000. TWC replenishes the Fund by collecting a fee from schools by applying a percentage to each school's annual renewal fee at a rate that would bring the balance up to $250,000. TWC also has the authority to transfer fees collected in

excess of the administration of the proprietary school program into the Fund, instead of assessing schools a fee. Transfers can be made at the end of the fiscal year if the balance of the Fund is less than $200,000.[9]

Application of Tuition Protection Fund



Historically, the Fund's structure has not allowed full refunds to students of closed proprietary schools.

- TWC is not able to pay full refunds with frequency, because the total tuition refunds for some schools far exceed the $50,000 maximum bond and $50,000 in TPF payments.[10] The chart, *Selected Refund Amounts*, shows examples of student refunds from previous years.

Selected Refund Amounts

This chart shows refund payments TWC paid to students for four school closures that occurred in previous years. The "overall balance due after bond payments" and "average balance due per student" represent the amounts owed, and the last column represents the "average actual refund paid" per student.

School	Year Refunds Paid	Number of Students	Overall Balance Due After Bond Payments	Average Balance Due Per Student	Average Actual Refund Paid
A	1994	52	$72,959	$1,305	$389
B	1995	88	$64,919	$2,075	$906
C	1998	71	$95,698	$8,753	$693
D	1998	59	$148,750	$7,042	$824

- The current TPF ceiling of $250,000 can prevent full refunds. For example, TWC paid refunds to students of four closed schools in 1998. Two of the schools are noted in the chart above. Had full refunds been paid to the two schools noted in the chart, the total would have been $244,448, nearly the entire Fund.

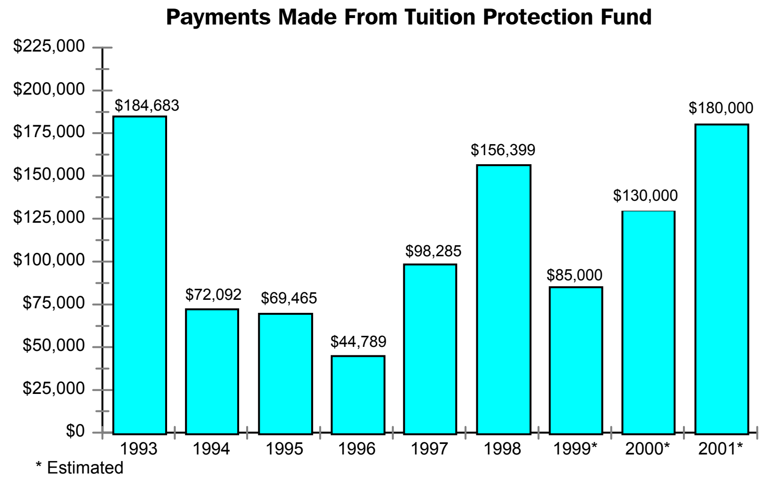
The limit on refunds of $50,000 per school fails to cover students of large or high tuition schools that close.

Limits on refunds, and the amount that can be spent each year, prevent the Fund from achieving its purpose.

- Refunds paid from the Fund cannot exceed $50,000 per school. As shown in the chart above, balances due after bond payments ranged from $64,919 to $148,750 per school, much more than the $50,000 maximum per school. This spending limit required TWC to significantly reduce the refunds to students.

The current Tuition Protection Fund appropriation of $75,000 per year is proving to be inadequate to cover annual expenses and tuition from school closures.

- In 2001, the Legislature, by rider, appropriated $75,000 annually to TWC for refund payments from the Tuition Protection Fund, the first time the TPF was appropriated to the agency since its establishment.[11] State law does not require an appropriation from the Fund to TWC. Previously, TWC had access to the Fund as needed, without a specific amount appropriated for that purpose.



Unfortunately, predicting the number and cost of school closures can be difficult. In 2000 and 2001, six schools closed, with estimated costs in excess of the $75,000 appropriated, as shown in the chart, *Payments Made From Tuition Protection Fund*. Therefore, full refunds may not be possible to students in those six schools, as funds would not even cover the first three closures. Students whose schools close later in any given year, after the $75,000 spending limit has been reached, could be especially affected because TWC pays refunds on a first-come, first-served basis.

- Over the past nine years, payments from the TPF have usually required more than $75,000 to cover tuition refunds and costs associated with moving students to other schools. As the chart above shows, claims paid from the fund vary widely from year to year.[12] Refund amounts for 1999 through 2001 are liability estimates; refund amounts are yet to be determined.

The TWC Web site lacks consumer protection information to guide students faced with a school closure.

- TWC's proprietary school Web site lacks basic consumer protection information for proprietary school students. TWC's Web site contains rules and regulations and links to Web sites important to proprietary schools. It does not provide information for students related to options if schools close, student rights with regard to proprietary schools, the tuition protection fund, or information on loan forgiveness.

- California, New York, Ohio, and Pennsylvania all maintain Web sites that include consumer information on federal loan forgiveness, tuition protection funds, how to access student records after school closures, and options if a school closes.[13] These Web sites are easy to navigate, provide links to other related Web sites, and have consumer protection information that is easy to find, detailed and informative.

Other states' tuition protection funds are structured to better protect students enrolled in proprietary schools that close.

- Eighteen states, including Texas, have tuition protection funds.[14] The chart, *Other States' Fund Ceilings*, shows that Texas is one of only four states with a fund ceiling of $250,000 or less. With the

Other States' Fund Ceilings

State	Fund Ceiling
California	$3,000,000
New York	$1,800,000
Washington, Ohio, Connecticut, Oregon, Maryland	$1,000,000
Louisiana	$800,000
Arizona, Indiana, Tennessee, Georgia, Arkansas	$500,000
Texas	$250,000
Virginia	$250,000
Nebraska	$175,000
Kentucky	$80,000
Nevada	$10,000

exception of California and New York, Texas regulates more schools than each of the other states that have higher tuition protection fund caps.

- None of the other 17 states places a cap on the amount that can be spent from the fund per school or paid in claims per year.[15] Additionally, none of the states with tuition protection funds, with the exception of Texas and New York, promise full refunds to students. Instead, these states detail in law that the proprietary school program will determine the amount of tuition to be paid based on the available balance in the tuition protection fund and other factors.

Other Texas funds do not have caps on the amount of money that can be paid out in claims in a year.

- The Real Estate Recovery Fund and the Crime Victims' Compensation Fund, two Texas dedicated revenue funds, pay for damages due to real estate fraud and violent crime.[16] Both funds place a limit on the total damages awarded per person, but neither fund has an annual spending cap imposed on it, nor are the funds appropriated to either of the agencies that administer the funds. Statutes for the Produce Recovery, the Mortgage Broker Recovery, and the Auctioneer Education and Recovery Funds state that no appropriations are needed for the associated agencies to administer the funds.[17]

Recommendation

Change in Statute

10.1 Increase the ceiling on the proprietary school Tuition Protection Fund from $250,000 to $500,000.

This recommendation would allow TWC to more fully protect students of closed proprietary schools. The Fund increase should be graduated over a two-year time frame. Once the Fund reaches a $500,000 cap, the Fund could be replenished in January of any year that the fund dips below $400,000. This could be done either through an assessment of proprietary schools or a transfer of fees collected in excess of administration costs of the proprietary school program.

10.2 Increase from $50,000 to $150,000 the amount that can be spent per school closure from the Tuition Protection Fund.

This recommendation would help TWC to better protect students, especially those in large or higher cost schools. The increased cap would make more money available to students in the event of a school closure, resulting in better, but not full, refunds. Refunds would be improved without depleting the Fund balance with the closure of a single school.

10.3 Clarify that refunds from the Tuition Protection Fund depend on the amount of funds available, and that a full refund can not always be guaranteed.

This recommendation would clarify that students might not receive a full refund of prepaid tuition if a proprietary school closes. TWC should strive to pay full refunds, but when this is not possible, statute should outline the factors TWC can take into consideration, including the amount available in the TPF, the size and number of claims caused by a school closure, the amounts of claims paid in the past, and the availability of other schools to allow students to complete their programs.[18]

Change in Appropriations

10.4 The Sunset Commission should request that the Senate Finance Committee and the House Appropriations Committee consider giving TWC access to the full Tuition Protection Fund, by removing the $75,000 limit on the total amount that can be paid out from the Fund in any single year.

This recommendation would provide better protection of student tuition in the event of school closures. A change would be needed to rider nine of TWC's current appropriation bill pattern. Rider nine appropriates $75,000 per year for the 2002-2003 biennium from the balances on hand from the Tuition Protection Fund. Rider language could be changed to specify that TWC has access to the full balance of the Fund for the purpose of tuition refunds, and that all new TPF fees collected are appropriated to the agency for that purpose.

Management Action

10.5 TWC should add consumer protection information to its Web site.

This recommendation would ensure that students have easy access to information about the consumer protections available through state and federal law, with regard to proprietary schools. TWC should make the proprietary school Web site more user-friendly to students with the addition of information on students' rights regarding school closures, the tuition protection fund, federal and private loan forgiveness, and complaint and refund processes.

Impact

TWC's main concern with regard to its proprietary school program is consumer protection. These recommended changes would give TWC more funding for, and full access to, the TPF to better protect students in the event of school closure. Although the recommendations would increase the size of refund payments to students whose schools close, retaining a per school spending cap should help TWC ensure a balance between assisting students at large and higher cost schools and preventing depletion of the Fund after the closure of just one such school. Clarification of refund policies and an improved Web site would further protect students by providing information that would allow students to understand the risk of tuition loss in the event of a school closure.

Fiscal Implication

These recommendations would have no net fiscal impact to the State, because the costs of increasing the balance and use of the Fund would be covered by fees paid by licensed proprietary schools. These recommendations would make the full balance of the TPF available to TWC. In 2001, the Legislature appropriated $75,000 to TWC each year of the current biennium. Allowing TWC to access the entire Fund would not be a cost to the State, as the money is not obligated for other purposes. Proprietary schools would be assessed additional fees over two years to increase the fund to $500,000. Sunset staff estimate that schools' fees would range from about $185 to $14,000, depending on the size of the school and its overall tuition liability.

Fiscal Year	Gain to the Tuition Protection Fund	Cost to the Tuition Protection Fund
2004	$125,000	$125,000
2005	$125,000	$125,000
2006	$0	$0
2007	$0	$0
2008	$0	$0

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[1] Texas Workforce Commission (TWC), Proprietary School Department staff, "FW: ACTION: Sunset Questions," e-mail to Sunset Advisory Commission, February 22, 2002.

[2] Texas Education Code Ann., ch. 132, sec. 132.242 (d) and (b).

[3] Texas Education Code Ann., ch. 132, sec. 132.242 and Texas Workforce Commission (TWC) Procedures Manual 2000, Proprietary School Department, Number 240.

[4] Interview with TWC, Proprietary School Department staff (Austin, Texas, March 18, 2002).

[5] Texas Education Code Ann., ch; 132, sec. 132.242 (d).

[6] Telephone interview with Federal Student Aid Information Center staff (Washington, D.C., March 19, 2002).

[7] Interview with TWC, Proprietary School Department staff (Austin, Texas, March 18, 2002).

[8] Texas Senate Bill 1 (General Appropriations Act), title VII-37, Appropriations rider nine, 77th Legislature (2001).

[9] Texas House Bill 3295, 76th Legislature (1999); and Texas Education Code Ann., ch. 132, sec. 132.241(e).

[10] Telephone interview with TWC, Proprietary School Department staff (Austin, Texas, April 2, 2002).

[11] Texas Senate Bill 1 (General Appropriations Act), title VII-37, Appropriations rider nine, 77th Legislature (2001).

[12] TWC, *Tuition Protection Fund Accrued Balances as of August 30, 2001*, spreadsheet prepared by TWC. Received November 8, 2001.

[13] California, http://www.bppve.ca.gov.; New York, http://www.highered.nysed.gov/bpss/home.html; Ohio, http://www.state.oh.us/scr/index.htm; and Pennsylvania, http://www.pdehighered.state.pa.us/higher/cwp.

[14] Sunset staff research on the following states: Kentucky, Virginia, Oregon, New York, California, Arizona, Indiana, Ohio, Washington, Maryland, Tennessee, Connecticut, Arkansas, Georgia, Nevada, Louisiana, and Nebraska.

[15] Sunset staff research of 23 states' tuition protection funds.

[16] Vernon's Texas Civil Statutes, title 113a, article 6573a, section 8; and Texas Code of Criminal Procedure Ann., ch. 56, sec. 56.31 to 56.64.

[17] Texas Agriculture Code, ch. 103, sec. 103.002; Texas Finance Code, ch. 156, sec. 156.501; and Texas Occupations Code, ch. 1802, sec. 1802.151.

[18] Research of Virginia and Maryland tuition protection fund statutes. Available at: www.pen.k12.va.us/VDOE/Instruction/Adult/proprietary_ed.html (Virginia) and http://constmail.gov.state.md.us/comar/13b/13b.01.01.18.htm (Maryland).

Issue 11

Texas Has A Continuing Need for the Texas Workforce Commission.

Summary

Key Recommendation

- Continue the Texas Workforce Commission for 12 years.

Key Findings

- Texas has a clear and continuing need for the employment services, job training, and unemployment benefits provided through the Commission.
- TWC generally accomplishes its mission overall, with the State benefitting from the consolidation of workforce functions, more locally controlled workforce service delivery, and the shift of unemployment insurance to tele-centers.
- While organizational structures vary, all other states use statewide agencies to oversee employment and training services, and to administer unemployment benefits.

Conclusion

The Texas Workforce Commission (TWC) plans, delivers, and oversees workforce services to meet the needs of Texas businesses, workers, and communities. Texas leads the nation in its efforts to consolidate and reform workforce services; and in 1998, Congress enacted federal workforce delivery reforms modeled after the workforce changes in Texas.

Since established in 1995, TWC has overseen significant changes to the workforce delivery system in Texas. Staff and programs from 10 different state agencies were successfully merged together to create TWC; with a major portion of these services devolved to a locally controlled delivery system. Local workforce development boards are in place statewide, delivering services through more than 260 one-stop workforce centers.

Sunset staff found a critical need for the services administered through TWC, with significant benefits from the consolidation of workforce programs, the shift to increased local control, and the handling of unemployment insurance claims by phone. While improvement is still needed, as outlined in this report, Sunset staff found that continuing the Texas Workforce Commission would help ensure Texas' ongoing progress and leadership in the workforce arena.

The Texas Workforce Network served more than 40,000 employers and 1.6 million job seekers in fiscal year 2001.

Support

TWC's mission is to promote and support a workforce system that offers individuals, employers, and communities the opportunity to achieve and sustain economic prosperity.

- The Texas Workforce Commission was created by the Legislature in 1995, by H.B. 1863, which combined 28 workforce programs from 10 agencies to integrate services in one locally controlled system. This legislation also authorized the designation of 28 different local workforce development areas throughout the state, each overseen by a local workforce development board. Through this system, TWC seeks to ensure that employers have a qualified pool of job applicants, and that workers and job seekers have access to career guidance, training, and job placement services.
- TWC operates with an annual budget of approximately $1 billion, 88 percent of which comes from federal funding. The budget supports the Texas Workforce Network, composed of TWC, 28 local boards, and contracted service providers. Employment and job training services are delivered through more than 260 one-stop workforce centers statewide, seven unemployment insurance tele-centers, and several tax offices located throughout the state. In fiscal year 2001, the Network served more than 40,000 employers and 1.6 million job seekers.

Texas has a clear and continuing need for the employment and training programs, and unemployment services provided through TWC.

- Federal law requires each state to provide workforce development programs. States must also operate an unemployment insurance program for workers to receive unemployment insurance benefits. TWC receives approximately $900 million annually in federal funds to administer these programs for Texas. These services are critical to helping individuals gain economic self-sufficiency and career advancement. The abolishment of TWC's functions would result not only in loss of services for individuals, but in significant loss of federal funds for the State.
- TWC administers the State's unemployment insurance program, which includes operating seven tele-centers that provide claims services, and administering the claims appeals process. The agency also collects taxes from employers, helps workers and employers navigate the unemployment insurance system, and adjudicates wage claim disputes.

- The workforce development system provides employment and job training services for job seekers and employers. These services range from providing skill assessments and identifying job opportunities for job seekers, to funding customized training and offering Web-based job matching for employers. The workforce services have helped job individuals to secure employment, while increasing the pool of skilled workers for employers. TWC provides oversight and ensures accountability of these programs and services, which is critical since they are administered locally through the local boards.

TWC child care funds of $426 million supported an average of 102,375 children daily in fiscal year 2001.

- TWC also provides child care funding to the 28 local boards, who contract for the provision of child care services locally. Child care services support families while parents work or complete job training. Child care funds of approximately $426 million account for almost half of TWC's annual budget, and supported an average of 102,375 children daily in fiscal year 2001.

TWC generally accomplishes its mission overall, with the State benefitting from consolidated workforce functions, more locally controlled workforce services, and the shift of unemployment insurance to tele-centers.

- The integration of workforce functions benefits TWC's customers, who can now access a range of workforce services at one location. Job seekers can receive job placement assistance, information on child care services, and attend job fairs at local workforce centers. Employers can call a single telephone number to place a job order and to receive labor market information.
- The shift to local workforce service delivery allows communities to establish their own workforce and economic development plans, based on unique local needs and circumstances. Delivering workforce services locally ensures that service design and implementation are guided by local leaders with knowledge of specific industry needs, job opportunities, and community resources. For example, in response to the needs of local employers, the Tarrant County and Dallas local boards helped secure transit services to bring workers to jobs near the Dallas-Fort Worth Airport.
- Shifting the provision of unemployment insurance customer service from public offices to tele-centers has made claim filing easier for workers. Long lines at local offices no longer exist, and use of the telephone to file claims affords claimants privacy, removing much of the stigma associated with unemployment compensation payments. Employers also benefit, and can respond to notification of a former employee filing for benefits by phoning a tele-center.

While organizational structures vary, all other states use statewide agencies to oversee employment and training services and to administer unemployment benefits for the state.

Texas has a national reputation as a leader in workforce reform.

- The consolidation of unemployment insurance, employment, and training services into a single agency remains unique to Texas. All states are federally required to administer employment and training services, and to operate an unemployment insurance program for workers to receive benefits. Due to differences in states' government styles, however, not all states provide such services under the umbrella of a single agency.
- The consolidation of these services into TWC has been well-accepted and awarded. Texas has a national reputation as a leader in workforce reform and was an early implementation state for the federal Workforce Investment Act. In fact, Texas was one of the first states to establish the local boards and integrate workforce services. Additionally, the local boards and workforce centers continue to receive state, federal, and national awards for high performance, exemplary service delivery to both job seekers and employers, and innovative programs and services that increase employer participation in the workforce system.

Recommendation

Change in Statute

11.1 Continue the Texas Workforce Commission for 12 years.

This recommendation would continue the Texas Workforce Commission as the agency responsible for administering the State's unemployment insurance and workforce programs.

Impact

The intent of this recommendation is to allow TWC to continue to carry out its mission of promoting and supporting an integrated, locally driven workforce system that helps employers, individuals, and communities achieve economic security.

Fiscal Implication

If the Legislature continues the current functions of TWC, using the existing organizational structure, the agency's annual appropriation of $1.04 billion would continue to be required for its ongoing operation.

ACROSS-THE-BOARD RECOMMENDATIONS

Texas Workforce Commission	
Recommendations	**Across-the-Board Provisions**
	A. GENERAL
See Issue 1	1. Require at least one-third public membership on state agency policymaking bodies.
Update	2. Require specific provisions relating to conflicts of interest.
Apply	3. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Update	4. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Update	5. Specify grounds for removal of a member of the policymaking body.
Update	6. Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Apply	7. Require training for members of policymaking bodies.
Apply	8. Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Apply	9. Provide for public testimony at meetings of the policymaking body.
Update	10. Require information to be maintained on complaints.
Update	11. Require development of an equal employment opportunity policy.
Apply	12. Require information and training on the State Employee Incentive Program.

Texas Workforce Commission	
Recommendations	**Across-the-Board Provisions**
	B. LICENSING – PROPRIETARY SCHOOLS
Do Not Apply	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
Not Applicable	2. Provide for notice to a person taking an examination of the results of the examination within a reasonable time of the testing date.
Do Not Apply	3. Authorize agencies to establish a procedure for licensing applicants who hold a license issued by another state.
Do Not Apply	4. Authorize agencies to issue provisional licenses to license applicants who hold a current license in another state.
Already in Statute	5. Authorize the staggered renewal of licenses.
Do Not Apply	6. Authorize agencies to use a full range of penalties.
Already in Statute	7. Revise restrictive rules or statutes to allow advertising and competitive bidding practices that are not deceptive or misleading.
Not Applicable	8. Require the policymaking body to adopt a system of continuing education.

Agency Information

Agency Information

Agency at a Glance

The Texas Workforce Commission (TWC) plans, delivers, and oversees workforce services to meet the needs of Texas businesses, workers, and communities through a locally controlled delivery system. The Legislature created the Commission in 1995 by merging 28 individual workforce programs from 10 different state agencies.

The Commission's major functions include:

- overseeing the locally controlled workforce development system, consisting of 28 Local Workforce Development Boards (LWDBs) and more than 260 one-stop workforce centers and satellite offices statewide, that provide employment services and job training for employers and job seekers;
- operating the State's unemployment insurance system by collecting unemployment insurance taxes, processing claims, and determining claimant eligibility and employer liability; and
- administering a variety of other workforce-related programs ranging from the enforcement of pay day and child labor laws to the regulation of proprietary schools.

On the Internet
Information about TWC is available at www.twc.state.tx.us.

Key Facts

- **Funding.** The Commission operates with an annual budget of about $1 billion. Federal funds make up about 87 percent of the agency's budget ($913.7 million in fiscal year 2001). Other sources provide the remaining 13 percent of revenue, including the State's contribution of $119 million.
- **Staffing.** The Commission was budgeted for 3,913.5 FTEs for fiscal year 2001. Approximately 1,730 people work in the agency's headquarters located in Austin. Most of the other employees work in unemployment insurance tele-centers, tax offices, and local workforce centers, located throughout the state.
- **Unemployment Insurance.** In fiscal year 2001, TWC received more than 800,000 initial unemployment claims and paid out approximately $1.3 billion in benefits from the Unemployment Compensation Fund.[1] These benefits were paid from the more than $956 million in unemployment insurance (UI) taxes collected from Texas employers in fiscal year 2001, in addition to the balance in the Fund on December 31, 2000.[2]

- **Local Workforce Development Boards.** The state is divided into 28 local workforce development areas for the provision of workforce services. Local Workforce Development Boards (LWDBs) oversee these areas. The Boards are certified by the Governor to administer the majority of workforce services locally through contracted service providers. TWC allocates almost $800 million each year for Boards to plan and implement workforce services for employers, workers, and communities. These services are delivered through more than 260 workforce centers and satellite offices throughout the state. In fiscal year 2001, workforce centers served more than 1.8 million clients.
- **Child Care.** Of the almost $800 million allocated by TWC in fiscal year 2001 for local workforce services, nearly $394 million was devoted to child care services. More than 100,000 children per day received subsidized child care services to enable their parents to work or attend education or training activities.

Major Events in Agency History

1933 Wagner-Peyser Act enacted by Congress to establish a state-administered public employment system to assist in coordinating public labor exchange services throughout the country.

1936 Texas Unemployment Compensation Act passed by the Texas Legislature to create a temporary cash assistance program for unemployed workers. Texas Unemployment Compensation Commission (TUCC) created to administer the program. TUCC was later renamed the Texas Employment Commission.

Creating the agency took the merger of 28 programs from 10 state agencies.

1973 Comprehensive Employment and Training Act (CETA) enacted by Congress to provide training and education services to the poor and unskilled and to provide special programs for youth.

1982 Job Training Partnership Act (JTPA) created by Congress to replace CETA.

1993 Texas Council on Workforce and Economic Competitiveness (TCWEC) created by the Texas Legislature to develop a statewide plan for a comprehensive employment and training system, and to evaluate the workforce system's effectiveness.

1995 Texas Workforce Commission created by merging 28 workforce and training programs from 10 agencies through the passage of House Bill 1863. The legislation also reformed the State's workforce and welfare systems by setting up a locally controlled service delivery network, made up of Local Workforce Development Boards and local one-stop workforce centers located throughout the state.

1996 Federal welfare reform enacted by Congress through the Personal Responsibility and Work Opportunity Reconciliation Act, funded by the Temporary Assistance for Needy Families block grant and Child Care and Development Fund.

1998 Federal Workforce Investment Act (WIA) replaced JTPA, reforming federal job training programs and creating a new comprehensive workforce investment system. WIA mirrored much of the Texas workforce and training network already in place, such as local control and co-location of workforce programs.

1999 TWC restructured the delivery of unemployment insurance benefits by establishing seven UI call centers throughout the state to accept all initial UI claims via telephone. Previously, UI claimants used unemployment offices to file claims.

2000 All 28 Local Workforce Development Boards in Texas operational and managing workforce programs including employment and training programs for low-income workers and welfare recipients, and child care services.

Organization

Policy Body

The Texas Workforce Commission is governed by three full-time Commissioners, who each represent one of three constituencies required by statute. The Governor appoints the Commissioners for six-year terms and designates a Chair to serve a two-year term. The Commissioner representing the public serves as Chair in Commission hearings involving unemployment insurance tax and reimbursement issues, and disputed unemployment insurance cases. The chart, *TWC Commissioners*, provides information about each Commissioner.

TWC Commissioners

Name	Term	Representation	Hometown
Diane D. Rath, Chair	Appointed 9/96; Reappointed 6/01 - 2/07	Public	San Antonio, TX
Ron Lehman	7/98 - 2/03	Employers	Round Rock, TX
Terrence P. O'Mahoney	Appointed 7/97; Reappointed 2/99 - 2/05	Labor	Dallas, TX

The Commission meets weekly to establish policy for an integrated statewide workforce development system, administer the unemployment compensation insurance program, adjudicate unemployment insurance claims, and adopt rules for the administration of agency programs and activities. The Commission appoints an Executive Director to administer the agency's daily operations, who prescribes the duties of staff, contracts with the LWDBs for program planning and service delivery, and makes expenditures necessary to fulfill the agency's duties.

Staff

The *Texas Workforce Commission Organizational Chart* depicts the agency's operational structure.

Of the approximately 3,913 Commission employees, about 45 percent work at the headquarters in Austin, 26 percent work in local workforce centers, and 20 percent work in the seven unemployment insurance tele-centers located throughout the state.[3] The remaining employees work in tax and appeals offices throughout the state, or telecommute. A comparison of the agency's workforce composition to the minority civilian labor force over the past three years is shown in Appendix A, *TWC Equal Employment Opportunity Statistics – 1998 to 2001*. The agency generally met or exceeded the statewide civilian labor force percentage for African-Americans, Hispanics, and females in most categories.

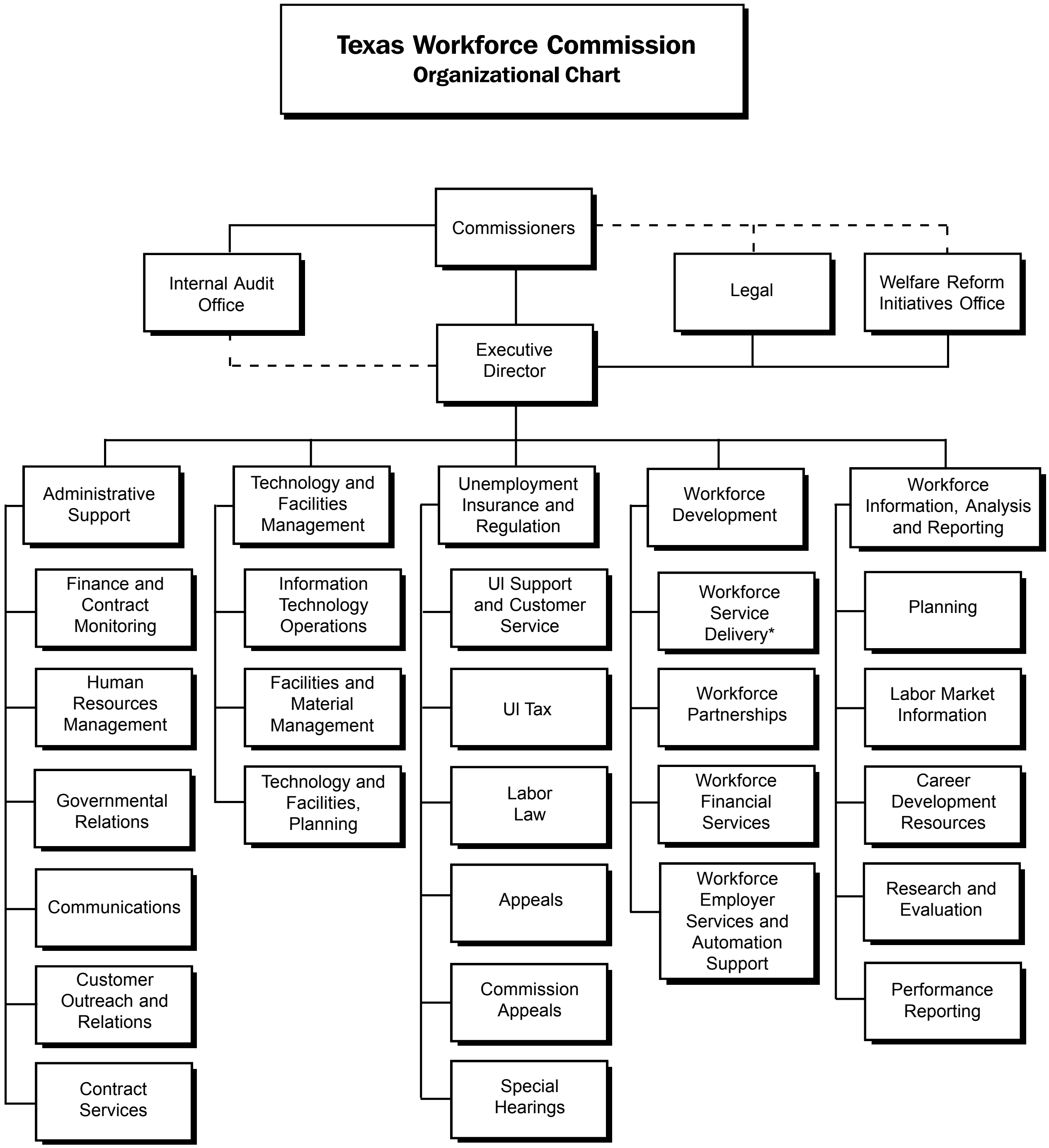
Texas Workforce Development System

The development of a new workforce system in Texas began in 1993 with the creation of the Texas Council on Workforce and Economic Competitiveness. The Council brought together state economic development, education, and workforce development agencies to plan statewide for a comprehensive employment and training system, and to evaluate the system's effectiveness.

Planning, delivering, and overseeing workforce services is a joint state/local effort.

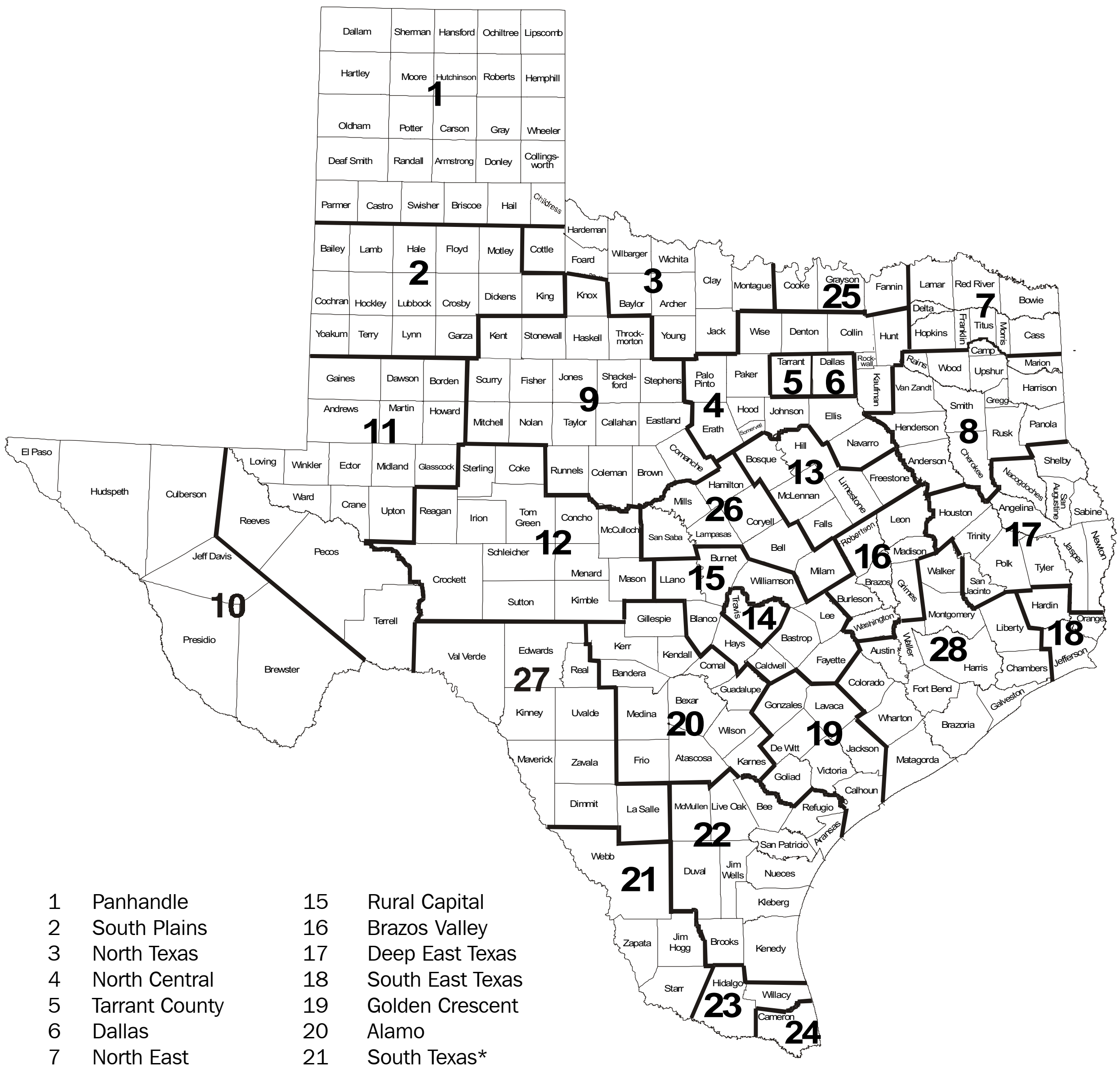
In 1995, based in part on the work done by the Council, the Legislature passed H.B. 1863, which consolidated 28 workforce-related programs from 10 different state agencies, and created a new state agency, the Texas Workforce Commission, to oversee the system. The Legislature recognized that different areas of the state have different workforce development needs and authorized the designation of local workforce development areas. Local Workforce Development Boards (LWDBs) were appointed to oversee these areas. The map, *Local Workforce Development Areas and Boards*, details the location of the local workforce development areas and the name of each LWDB. Each of the Boards consists of a majority of members from the business community, as well as other members who represent labor, education, community organizations, economic development, vocational rehabilitation, public employment, and human service agencies. A child care representative was added to the LWDBs in 1997 and a veteran representative in 2001. These representatives are identified from the existing membership. The chart, *Local Workforce Development Boards - Summary Information*, provides some general information about each Board.

Together, the Council, TWC, the LWDBs, and the one-stop workforce centers are responsible for planning, delivering, and overseeing workforce services in Texas. The main responsibilities of each entity are shown in the chart, *Key Components of the Texas Workforce Development System*.



*Includes Texas Commission on Volunteerism and Community Service

Local Workforce Development Areas and Boards



1	Panhandle	15	Rural Capital
2	South Plains	16	Brazos Valley
3	North Texas	17	Deep East Texas
4	North Central	18	South East Texas
5	Tarrant County	19	Golden Crescent
6	Dallas	20	Alamo
7	North East	21	South Texas*
8	East Texas	22	Coastal Bend
9	West Central	23	Lower Rio Grande Valley
10	Upper Rio Grande	24	Cameron County
11	Permian Basin	25	Texoma
12	Concho Valley	26	Central Texas
13	Heart of Texas	27	Middle Rio Grande
14	Capital Area	28	Gulf Coast

*Starr County moves to the Lower Rio Grande Area in FY 2002.

Local Workforce Development Boards (LWDBs) - Summary Information							
			Clients *		Staffing FY 2001		
Region	LWDB Name Key City	Funding FY 2001	Served FY 2001	Workforce Centers	LWDB	TWC	Contract
1	Panhandle - Amarillo	$13,281,699	35,723	7	6.00	16.96	50.00
2	South Plains - Lubbock	$14,361,798	38,790	8	14.00	17.78	79.00
3	North Texas - Wichita Falls	$7,691,922	18,214	3	5.00	9.00	30.00
4	North Central - Arlington	$29,259,305	96,847	18	21.00	41.04	124.00
5	Tarrant County - Fort Worth	$34,313,147	96,613	9	36.00	40.08	102.00
6	Dallas County - Dallas	$67,331,664	184,794	12	30.00	69.93	140.00
7	North East - Texarkana	$11,180,742	29,707	4	8.00	14.31	78.00
8	East Texas - Kilgore	$24,869,695	74,203	14	20.00	19.67	174.00
9	West Central - Abilene	$12,148,270	30,077	4	12.00	12.12	62.00
10	Upper Rio Grande - El Paso	$46,510,588	82,444	10	44.00	22.20	201.00
11	Permian Basin - Midland	$16,211,045	34,133	6	10.00	12.30	67.00
12	Concho Valley - San Angelo	$5,502,861	14,754	2	8.00	5.82	30.00
13	Heart of Texas - Waco	$10,574,765	24,147	7	12.00	9.35	36.00
14	Capital Area - Austin	$19,062,127	68,380	5	20.00	24.20	66.00
15	Rural Capital - Round Rock	$12,130,348	29,944	11	10.00	12.39	65.00
16	Brazos Valley - Bryan	$7,515,876	14,174	1	9.00	6.00	22.00
17	Deep East Texas - Lufkin	$13,550,397	40,668	12	11.00	9.80	89.00
18	South East Texas - Beaumont	$17,692,198	57,732	5	23.00	12.98	59.50
19	Golden Crescent - Victoria	$6,776,272	18,938	7	12.00	8.67	80.00
20	Alamo - San Antonio	$64,375,155	128,675	24	50.00	42.99	317.00
21	South Texas - Laredo	$22,836,004	31,593	4	14.00	8.07	100.00
22	Coastal Bend - Corpus Christi	$30,986,944	55,782	12	36.00	19.19	259.00
23	Lower Rio Grande - Edinburg	$44,637,087	84,699	7	45.00	23.73	259.00
24	Cameron County - Brownsville	$26,160,203	52,650	6	30.00	9.25	122.00
25	Texoma - Denison	$5,398,299	18,046	3	11.00	5.78	31.00
26	Central Texas - Belton	$11,959,291	43,605	8	10.00	13.44	54.25
27	Middle Rio Grande - Uvalde	$15,945,620	24,723	4	11.00	13.99	123.00
28	Gulf Coast - Houston	$145,305,091	352,785	32	26.00	133.42	850.00
TOTAL		**$737,568,415**	**1,782,838**	**245**	**544.00**	**634.45**	**3669.75**

*Includes Employment Services

Key Components of the Texas Workforce Development System

Entity	Main Responsibilities
TCWEC	• Develops a strategic plan for the workforce development system. • Evaluates the workforce system through performance measures.
Texas Workforce Commission	• Receives and provides state and federal workforce funds to LWDBs. • Administers select federal programs, including Employment Services and the Unemployment Insurance program, and state programs such as the Skills Development Fund and Project RIO. • Provides technical assistance to LWDBs. • Monitors and oversee LWDBs. • Provides workforce and career-related information, data, research, and statistics.
Local Workforce Development Boards	• Plan workforce services to meet local needs. • Receive and manage state and federal workforce program funds. • Contract for delivery of workforce services. • Monitor and oversee local workforce service contractors.
Workforce Centers	• Provide workforce services to employers and job seekers.

In addition to administering and overseeing the workforce system in Texas, TWC also directly administers certain programs, including the traditional job matching Employment Services program as well as Unemployment Insurance.

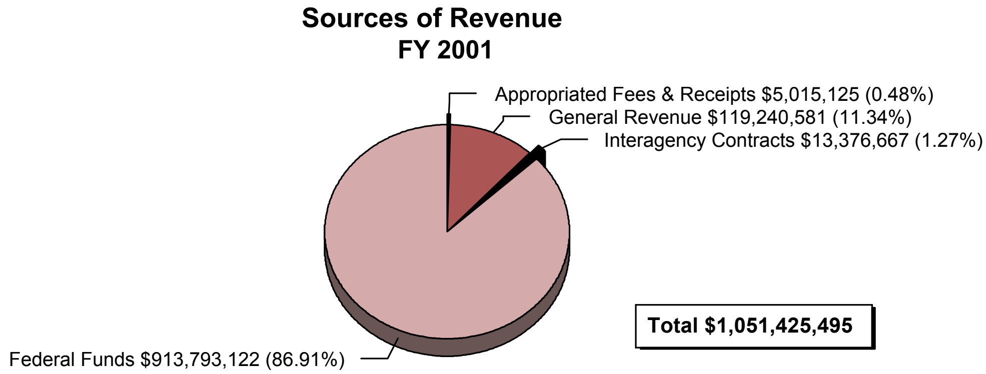
Local boards contract for actual services, provided through one-stop workforce centers.

TWC provides both child care and transportation funds to LWDBs to support employment and training activities for targeted populations. However, LWDBs are statutorily prohibited from providing workforce services directly. Instead, they contract for services through a competitive procurement process, provided through one-stop workforce centers. This dual system results in TWC staff providing services in workforce centers side-by-side with contracted staff.

Funding

Revenues

The agency received approximately $1 billion in appropriated funds for fiscal year 2001, as shown in the chart, *Sources of Revenue*. TWC receives funding primarily through federal grants or as matching funds for specific state expenditures. Federal funds comprise approximately 87



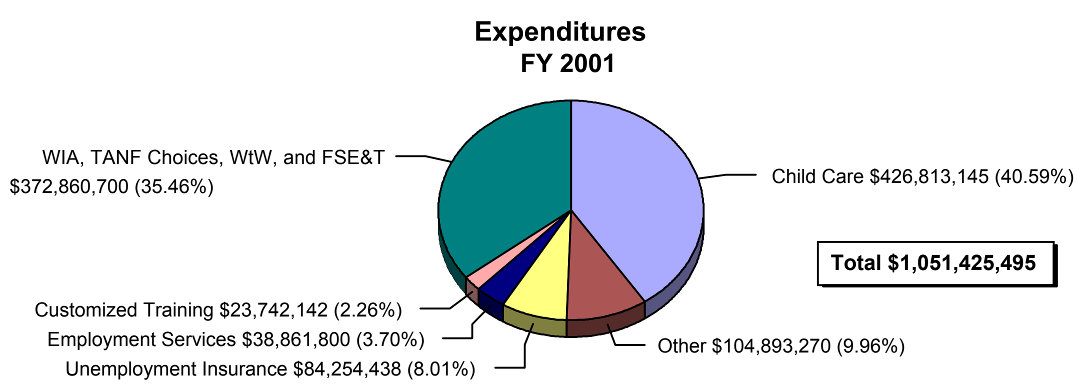
percent, or $913.7 million, of the agency's revenue. TWC receives most of its federal funds for unemployment insurance, employment services, child care, education and training, and workforce services for special populations. In addition to federal funds, TWC receives about $119 million from state General Revenue, mostly used to satisfy the Child Care and Development Fund and Temporary Assistance for Needy Families (TANF) federal maintenance of effort requirements. TWC also receives appropriated receipts from its licensing activities and interagency contracts.

Federal funds account for 87 percent of TWC's funding.

Expenditures

TWC spent approximately $1 billion in fiscal year 2001. The 28 LWDBs receive the majority of this funding. TWC provides the funding from the Child Care and Development Fund, Temporary Assistance for Needy Families (TANF) Choices, Welfare to Work (WtW), Workforce Investment Act (WIA), and Food Stamp Employment and Training (FSE&T) programs to the LWDBs. The LWDBs then enter into competitively procured contracts for the delivery of services in each area.

In addition to the funding provided to the LWDBs, TWC spent more than $146 million to deliver services and meet federal requirements in programs such as the Unemployment Insurance, Employment Services, and customized training programs. The *Expenditures* chart details the agency's largest expenditures. Other expenditures include TWC - administered programs such as the Skills Development Fund,



Reintegration of Offenders (Project RIO), and Trade Adjustment Assistance/NAFTA Transitional Adjustment Assistance (TAA/NAFTA); program monitoring and compliance; local program assistance; information services; and labor law enforcement. TWC also spent about $17 million in indirect administration. A detailed breakdown of the agency's expenditures by program can be found in the chart, *TWC Expenditures and Budgeted FTEs by Program*.

TWC Expenditures and Budgeted FTEs by Program FY 2001

Program	Total Budget	Federal Funds	State Funds	TWC FTEs
Local Workforce Development Board - Managed Programs				
Child Care Services	$425,852,980	$335,671,753	$90,181,227	98.1
Workforce Investment Act (WIA)	$259,105,979	$259,105,979		197.3
TANF Choices	$64,013,882	$64,013,882		78.0
Welfare to Work (WtW)	$39,756,508	$31,716,200	$8,040,308	6.1
Food Stamp Employment & Training (FSE&T)	$9,984,331	$5,758,111	$4,226,220	15.6
Total	**$798,713,680**	**$696,265,925**	**$102,447,755**	**395.1**
TWC - Managed Programs				
Unemployment Insurance and Workforce Services				
Unemployment Insurance	$84,254,438	$84,254,438		1,710.6
Employment Services	$38,861,800	$35,991,856	$2,869,944	753.5
AmeriCorps/Texas Commission on Volunteerism & Community Services	$16,113,308	$15,009,939	$1,103,369	24.8
Project RIO	$8,329,305		$8,329,305	111.4
Veterans Employment and Training	$7,071,917	$7,071,917		161.0
Senior Texans Employment Program	$5,446,531	$4,905,679	$540,852	.1
Work and Family Clearinghouse	$960,165		$960,165	.4
School-to-Careers	$12,078,381	$12,078,381		9.3
Trade Adjustment Assistance and NAFTA	$13,477,434	$13,477,434		29.6
Total	**$186,593,279**	**$172,789,644**	**$13,803,635**	**2,800.7**
Skills Development and Training				
Skills Development	$12,387,187		$12,387,187	5.0
Self-Sufficiency	$11,354,954	$11,354,954		4.7
Apprenticeship	$1,767,630		$1,767,630	1.1
Total	**$25,509,771**	**$11,354,954**	**$14,154,817**	**10.8**

TWC Expenditures and Budgeted FTEs by Program FY 2001				
Program	**Total Budget**	**Federal Funds**	**State Funds**	**TWC FTEs**
Technical Assistance and State - Level Support for LWDB Services				
Training and Technical Assistance	$2,887,291	$2,682,357	$204,934	33.2
Contract Monitoring	$2,570,682	$2,345,725	224,957	54.3
Total	**$5,457,973**	**$5,028,082**	**$429,891**	**87.5**
Enforcement and Certification				
Wage & Child Labor Law	$3,462,881		$3,462,881	73.2
Alien Labor Certification	$1,110,809	$1,110,809		28.3
Proprietary School Regulation	$834,965		$834,965	19.5
Work Opportunity Tax Credit	$779,237	$779,237		20.2
Veterans Education Regulation	$655,771	$475,089	$180,682	10.3
Total	**$6,843,663**	**$2,365,135**	**$4,478,528**	**151.5**
Labor Market/Career Information and Analysis				
Labor Market Information	$3,527,908	$3,527,908		83.0
Career Development Resources	$1,133,820	$960,953	$172,867	15.5
Total	**$4,661**	**$4,488,861**	**$172,867**	**98.5**
TWC Administration				
Indirect Administration	$17,222,032	$15,565,086	$1656,946	330.8
Information Services	$6,432,369	$5,935,434	$487,935	39.1
Total	**$23,645,401**	**$21,500,520**	**$2,144,881**	**369.4**
GRAND TOTAL	**$1,051,425,495**	**$913,793,121**	**$137,632,374**	**3,913.5**

The agency's use of Historically Underutilized Businesses (HUBs) in purchasing goods and services is detailed in Appendix B, *TWC HUB Statistics - 1998 to 2001*. In 2001, the agency did not meet the State goals in two of the four HUB purchase categories, Special Trade and Other Services. However, the agency exceeded the State goals in the Professional Services and Commodities categories.

Agency Operations

TWC oversees and administers a wide range of programs and services designed to serve employers, job seekers, and many different populations including welfare recipients, ex-offenders, veterans, and youth. Due to the complexity of these numerous programs and the different federal funding streams associated with each, Sunset staff opted to describe the actual services provided by these programs, since many client services are largely the same across key programs. The chart, *Customer Services by Program*, shows how several of TWC's programs provide many of the same services.

Customer Services by Program						
Program	**TANF Choices**	**WIA**	**FSE&T**	**TAA/ NAFTA**	**Veterans**	**Project RIO**
Customer Population	Welfare Recipients	Low-income / Dislocated Workers / Youth	Food Stamp Recipients	Dislocated Workers	Veterans	Ex-offenders
Employment Services						
Self-Service Resources	✓	✓	✓	✓	✓	✓
Job Search and Referral	✓	✓	✓	✓	✓	✓
Outreach/ Orientation	✓	✓	✓	✓	✓	✓
Assessment	✓	✓	✓	✓	✓	✓
Job Readiness Services	✓	✓	✓	✓	✓	✓
Case Management	✓	✓	✓		✓	✓
Subsidized Employment	✓		✓			
Education and Training Services						
Customized Training	✓	✓	✓	✓	✓	✓
On-the-Job Training	✓	✓	✓	✓	✓	✓
Adult Education	✓	✓	✓	✓	✓	✓
Client Support Services						
Child Care Subsidy	✓	✓	✓	✓		
Transportation	✓	✓	✓			
Cash-Assistance	✓*	✓	✓*	✓		

*DHS: Texas Works program determines eligibility and issues cash benefits and food stamps.

Overall, the main workforce development services managed by TWC fall into six main categories: employment services; education and training services; customer support services; labor market/career information and analysis; enforcement and certification functions; and planning and oversight.

Employment Services

The objective of employment services is to connect job seekers with employers. Together, TWC and LWDBs offer access to a wide array of workforce-related information and services to help job seekers find employment and to assist employers in finding skilled workers.

Employment services seek to connect job seekers with employers.

Self-Service Resources - Local workforce centers provide workforce clients with information about and access to a wide array of job training, education, and employment services through resource rooms located in workforce centers statewide. These services help clients identify job vacancies; skills necessary for in-demand jobs; and local, regional, and national employment trends. Resources also include access to phones, fax machines, and computers with Internet access to assist with job search activities.

Job Search and Referral - Workforce centers provide employers and job seekers access to assisted job search and matching resources. These services include assistance with job information, job matching, and referrals; and assistance to employers with placing and filling job orders.

Outreach/Orientation - Workforce centers conduct orientations to provide information about a variety of workforce services in an attempt to help individuals become employed instead of receiving cash assistance.

Assessment - Workforce center staff evaluate a person's skills, abilities, employment and educational history, literacy level, and support service needs. The assessment provides the information necessary to screen clients for additional training and support services.

Job Readiness Services - Workforce center staff help prepare individuals for seeking employment. Services include providing assistance with interviewing skills, application and resume writing, and development of appropriate work behaviors. Job readiness activities are provided individually or in a classroom setting by local workforce center staff.

Case Management - Workforce center staff coordinate services to individuals needing more intensive services including education and training services. Case managers refer individuals to multiple one-stop services, monitor compliance with program requirements, and track progress towards the goal of employment.

Subsidized Employment - TWC or LWDBs may subsidize all or part of certain eligible individuals' wages while they are transitioning to work.

Rapid Response - TWC staff or local workforce center staff provide early intervention assistance designed to quickly transition groups of workers who have been laid off to their next employment. When notices of closures and mass layoffs are received, staff can respond with on-site services to assist businesses which are closing or laying off employees. Rapid response services include:

- assisting employees and employers with layoff and closure transitions;
- filing mass Unemployment Insurance claims;
- assisting with eligibility for dislocated worker benefits; and
- providing job search and referral services.

Education and Training Services

Education and training helps upgrade the skill level of the Texas workforce.

The Commission provides a variety of education and training programs that serve the needs of both job seekers and employers. These programs are designed to teach workers the skills necessary to succeed in the Texas labor market, which in turn helps create a more qualified workforce for employers. Although many programs assist low-skilled, hard-to-place workers, emphasis is also placed on upgrading the skills of already-employed workers to ensure that they remain a competitive part of the workforce.

Vocational/Occupational Skills Training - Local workforce centers refer clients to community colleges and post-secondary training that directly relates to employment in a specific occupation, and that leads to a certificate or degree.

Customized Training - TWC links businesses with education institutions and community-based organizations that provide training for specific skills for incumbent workers and workers who will be hired by the businesses upon completion of the training.

On-the-job Training - Local workforce centers help support and refer clients to training activities offered in the job setting to help individuals obtain relevant job skills.

Apprenticeship Programs - TWC funds work-training programs that allow students to gain paid work experience in skilled crafts and construction while taking courses in their chosen career.

Adult Education - Workforce center staff refer clients to basic education services for adults including GED preparation, English as a Second Language training, and literacy programs. These services are designed to improve the skills and competency levels of participating adults to enter and advance in the workforce.

School-to-Careers Services - TWC supports local partnerships that connect educational institutions and employers so that participating teachers and administrators can stay current and inform students on the skills and knowledge youth need for future employment. These services expire in fiscal year 2003.

Customer Support Services

The workforce system provides a variety of support services to eligible job seekers. These temporary support services are designed to help the job seeker become self-sufficient, and to help employers retain qualified workers.

Employers fund a system to replace wages for many unemployed workers.

Unemployment Insurance - TWC administers the State's unemployment insurance (UI) program, which replaces a portion of wages for workers who become unemployed through no fault of their own. The UI program is funded through employer taxes. UI functions include tax collection and claims service for employers and unemployed workers. Seven telephone call centers accept and process UI claims, provide information about the UI program in general, and answer questions about the status of individual claims for unemployment benefits. TWC also provides an administrative adjudication process for parties dissatisfied with decisions regarding payment of benefits.

Child Care - Local workforce boards provide subsidized child care to low income working parents, TANF clients who are working or attending school or training, and parents who are transitioning off public assistance. Other services include providing training and education opportunities for child care providers, and resource and referral services so that parents can make informed child care choices.

Local boards provide subsidized child care to low income working parents.

Transportation Assistance - Local workforce centers provide vouchers for shuttle service; bus passes; gas coupons; and payment of minor car repairs to help clients get to interviews, work, school, training, and child care.

Cash Assistance - TWC may provide certain eligible customers, including those who lose their jobs because of increased imports, with income support while in training.

Labor Market / Career Information and Analysis

TWC collects a large amount of career information and various labor market statistics. Employers, individuals, and communities use the information for economic development purposes and as a planning tool to better develop their workforce system.

Labor Market Information - TWC provides information including unemployment statistics, economic profiles, employment projections, and occupational information to employers in a variety of printed and

Web-based publications. Employers and local workforce development boards use labor market data and products to assist with planning activities. The public uses occupational data to aid in job search and career planning activities.

Career Development Resources - TWC produces career and labor market information products, including books, software, posters, and videos for planning professionals, educators, students, and job seekers. The program tracks occupational and educational activities of participants upon exit from publicly funded education and training programs. Other products help students use their middle school and high school coursework to prepare for future careers.

Enforcement and Certification

TWC performs a number of regulatory functions designed to ensure both the quality of certain education and workforce services provided through the workforce system, and compliance with workforce laws and regulations.

Wage and Child Labor Law - TWC adjudicates claims for unpaid wages for workers, collects unpaid amounts, and provides employers with technical assistance and educational programs regarding labor laws. Enforcement of child labor laws includes investigating complaints, conducting on-site business inspections, and providing educational outreach to schools and businesses.

Alien Labor Certification - TWC assists employers who are trying to gain temporary or permanent labor certification for workers from other countries. TWC certifies these workers for employers who are unable to find workers in the United States to fill temporary and permanent positions.

Training Provider Certification - TWC certifies training providers offering training under the Workforce Investment Act. The system allows employers and job seekers to evaluate the performance of the training provider, the costs and placement rates, and expected results for training services rendered.

More than 360 proprietary schools provide education opportunities for 86,000 students.

Proprietary Schools - TWC provides consumer protection for more than 86,000 students and ensures the quality of education in more than 360 private postsecondary career schools through licensing and regulatory oversight. Activities include conducting site visits, licensing private career schools, enforcing regulatory and licensing requirements, and managing the Tuition Protection Fund, which covers refunds to students affected by school closures.

Work Opportunity Tax Credit - TWC provides employers with reduced tax liability as an incentive for hiring hard-to-place employees, such as TANF recipients and ex-offenders. TWC administers three tax credit programs, the Work Opportunity Tax Credit, the Welfare-to-Work Tax Credit, and the TANF State Tax Refund. TWC administers the State Tax Refund jointly with the Comptroller of Public Accounts.

Veteran's Education - TWC approves and regulates education and training programs for Texas veterans. The primary responsibilities include evaluating and approving education and training programs for veterans, inspecting and monitoring approved schools and training establishments, and providing information and resources on available programs for veterans and their dependents.

Planning and Oversight

Although the workforce system and its services are delivered through various state and local entities, TWC is responsible for the overall administration and oversight of the system, and performs a number of activities that ensure that the system is administered properly.

Planning - TWC planning staff coordinate, assess, and report performance measures on TWC and LWDB activities. The staff also assist in developing the agency's strategic and business plans, and evaluate the various programmatic plans to help ensure consistency with the agency's initiatives and goals.

Contract Monitoring and Oversight - TWC staff review the financial and program operations of LWDBs, and contracted service providers. Using a risk-based assessment process, staff monitor all LWDBs at least once a year and perform other special on-site reviews. TWC staff also certify the financial controls of and provide technical assistance to LWDBs.

TWC supports a separate activity that deals with volunteerism and community service efforts.

In addition to the agency's own programs and services, TWC also houses the Texas Commission on Volunteerism and Community Service (TxCVCS) program, which is administratively attached to the Workforce Development Division within TWC. The mission of TxCVCS is to promote, develop, and support local efforts that use service and volunteerism to meet community needs. Operating under its own Governor-appointed 16-member Board, TxCVCS grants federal funding for the AmeriCorps National Service program and the Learn to Serve program to local community based organizations.

1 Texas Workforce Commission, Unemployment Insurance Department, "Sunset Request of 2-8-02 UI-1 and UI-2," e-mail to Sunset Advisory Commission, February 19, 2002.

2 Texas Workforce Commission, Unemployment Insurance Tax Department, "UI Information," e-mail to Sunset Advisory Commission, March 6, 2002.

3 Texas Workforce Commission, Finance and Contract Monitoring Department, "FY 2001 Information," e-mail to Sunset Advisory Commission, February 2, 2002.

Texas Council on Workforce and Economic Competitiveness

ISSUE / RECOMMENDATIONS

Issue 1

While Needed, the Council Has Had Difficulty Resolving Member Agency Problems and Evaluating the Workforce System.

Summary

Key Recommendations

- Continue the Texas Council on Workforce and Economic Competitiveness for 12 years, but renamed as the Texas Workforce Investment Council.
- Designate agency executive directors, rather than board chairs, as the ex officio representatives of member agencies on the Council.
- Require the Council to focus on resolving problems that cut across member state agencies, and hamper the integrated and seamless delivery of workforce services in Texas.
- Require the Council to clearly identify the duties of each of the member agencies in implementing specific strategies of the Council's long-range strategic plan.
- Transfer the responsibility for establishing and maintaining an automated follow-up and evaluation system from the Council to the Texas Workforce Commission.

Key Findings

- Texas must maintain the Council to meet federal Workforce Investment Act requirements.
- Lack of participation by state agency members seriously impedes the Council's ability to ensure coordinated workforce development efforts.
- The Council's strategic plan does not clearly define member agencies' responsibilities for implementing the plan.
- The Council has had persistent problems evaluating the outcomes and effectiveness of the workforce system in Texas.
- The Council does not have the resources or the staff expertise to establish and maintain an effective automated follow-up system for evaluating the workforce development system.

Conclusion

The Sunset review found that the Texas Council on Workforce and Economic Competitiveness (the Council), or a very similar entity, must be continued to meet federal requirements. These recommendations would continue the Council, but with a stronger focus on resolving ongoing problems in the delivery of workforce services across its member agencies. Sunset staff found that many agency members are simply not participating and are not held responsible for implementing needed changes. Requiring the Council to specify the duties of each member agency in implementing various strategies of the Council's plan should help ensure that needed changes are accomplished. Having TWC, rather than the Council, responsible for maintaining the automated follow-up system for tracking outcomes would place this duty at an agency with the expertise to carry it out, with the Council using the resulting information for its system evaluation.

Support

The Council strategically plans for, and evaluates, workforce development efforts across multiple state agencies in Texas.

Each of the five state agencies on the Council are represented by their board chair.

- The Council consists of 20 members, as shown in the chart, *Council Composition*. State law specifies that the board chair of each member agency serves as the representative for that agency on the Council, as a voting member. In addition, the Texas Rehabilitation Commission (TRC), and the Texas Commission for the Blind (TCB) participate in Council activities as partner agencies, rather than formal members.

Council Composition

Business and Industry (5)
Organized Labor (5)
Education (3)
Community Based Organizations (2)
Ex Officio State Agency Members (5)
- Texas Workforce Commission
- Texas Department of Economic Development
- Department of Human Services
- State Board of Education
- Higher Education Coordinating Board

The chart, *Member Agency Workforce-Related Duties,* shows the key workforce-related duties of each of the member state agencies that make up the workforce system in Texas. In addition, TWC oversees 28 Local Workforce Development Boards (LWDBs) that provide access to workforce services through 260 one-stop workforce centers statewide.

Member Agency Workforce-Related Duties

Member Agency	Workforce-Related Functions
Texas Workforce Commission (TWC)	• Oversees Local Workforce Boards and One-Stop Centers • Welfare and Food Stamp Employment and Training Programs • Administers Unemployment Insurance • Customized Training
Texas Department of Economic Development (TDED)	• Job Creation and Development • Attracting Industry
Department of Human Services Services (DHS)	• Welfare, Food Stamps Eligibility • Texas Works Program
Texas Education Agency (TEA)	• Public Education (K-12) • Career and Technical Education (K-12) • Adult Basic Education and Literacy
Texas Higher Education Coordinating Board (THECB)	• Post-Secondary Higher Education • Career and Technical Education • Financial Aid Programs

- The Council's main functions include:

  strategically planning for the integration of systemwide workforce development services in Texas, and reviewing the plans of member agencies and local boards to ensure consistency with the statewide plan;

  evaluating the workforce system by collecting performance measure data from agencies to determine how well the state's workforce system meets the needs of employers and job seekers; and

  producing research reports for the Office of the Governor, the Legislature, and others, on a range of workforce-related topics such as welfare reform and customized job training.

The Council is housed in the Governor's Office.

- The Council is administratively attached to and housed in the Office of the Governor. The Council has 12 staff, two of which support a separate Board also housed within the Governor's Office - the Texas Skill Standards Board. The Council receives funding from the Governor's Office and each of its member agencies, except for the Department of Economic Development. For fiscal year 2001, the Council received about $1 million in support, but expended only $726,764.

Texas must maintain the Council to meet federal Workforce Investment Act requirements.

- The federal Workforce Investment Act (WIA) of 1998 mandates that every state have a workforce investment board. The Council on Workforce and Economic Competitiveness serves this function in Texas. Federal law directs these boards, in consult with the Governor, to promote comprehensive workforce services through the restructuring of fragmented federal employment, training, and education programs; and development of a local one-stop delivery system. The Council does not operate or administer programs, but helps plan and evaluate services across the agencies that do.

Texas would risk losing $229 million in federal funds if the Council is not continued.

- Sunset staff determined that not maintaining the Council, or a similar function, could result in the loss of about $229 million in federal WIA funding to Texas. In addition, the Council operates under a grandfather clause in WIA that allows Texas to maintain the Council's composition as developed under previous state legislation. This grandfather status *could* be jeopardized if major changes are made to the Council's composition. If this exemption was lost, Texas would have to comply with WIA requirements, that, at a minimum, would require adding the Governor, members of the Legislature, and locally elected officials to the Council.

- Given these constraints, Sunset staff focused on evaluating the Council's role in planning and evaluating services across the workforce system, looking for changes that could be made *within* *federal requirements*, and tailoring these functions to ensure practical results for Texas.

Lack of participation by state agency members seriously impedes the Council's ability to ensure coordinated workforce development efforts.

- With the exception of TWC, ex officio members do not regularly attend Council meetings. This makes it difficult, if not impossible, to effectively plan or coordinate services across these agencies. Other members on the Council expressed frustration about the lack of participation by state agency representatives.[1]

Since 1998, representatives of TDED and TEA only attended a fourth of the Council's meetings.

The chart, *State Agency Member Attendance*, shows the number of meetings attended each year by the five member agencies. Since 1998, the Council has met four times each year, with TDED and TEA representatives attending about one-fourth of the meetings, and THECB and DHS representatives attending about half of the meetings.[2]

State Agency Member Attendance

Meetings Per Year	1998 4	1999 4	2000 4	2001 4	Percent Overall
TDED	0	1	2	0	19%
TEA	1	1	0	2	25%
THECB	2	2	3	0	44%
DHS	3	2	1	3	56%
TWC	4	3	4	4	94%

While other members of the Council are subject by law to removal for anything less than 75 percent attendance of regularly scheduled meetings in a year, no such requirement applies to ex-officio members. These members cannot simply be removed because they serve in their capacity as the chair or presiding officer of the member agency they represent.

- Poor participation by member agencies in TCWEC's activities severely limits the Council's ability to address longstanding operational issues between the agencies, such as:
  - clarifying the roles and responsibilities between DHS and TWC regarding the administration of the employment and training of welfare customers;
  - strengthening the links between TDED and TWC in encouraging the creation and enhancement of jobs through business development and expansion;

- – resolving service delivery issues between TEA and TWC regarding adult education and literacy programs; and
- – resolving problems regarding the certification of training providers between THECB and TWC.

Many of the local boards expressed concern that the State expects staff within the one-stop workforce centers to work well with the local staff from other state agencies and programs, but little progress ever seems to be made to ensure better coordination at the state level.[3]

Local boards expressed frustration with the lack of coordination across state agencies involved in workforce activities.

The Council's strategic plan does not clearly define member agencies' responsibilities for implementing the plan.

- The Council has developed two 5-year strategic plans, 1994-1999 and 1999-2004, defining the vision, mission, and goals for the workforce system in Texas. These plans have set out broad strategies for change and linkage across agencies, but neither plan defined which member agencies would be responsible for implementing the changes, the time frames for accomplishing these tasks, or how the Council would follow-up to ensure needed changes are made.
- The Council's systemwide plan is in addition to the state-level strategic plans required of each of the five member agencies, and local-level strategic plans required of each of the 28 workforce boards. While agencies and local boards are expected to use the Council's strategic plan to develop their operational plans, these connections proved difficult to make.
- The Council's plan and strategies do not specifically relate to problems that need to be resolved. The Council itself has no operational duties, so without assigning these actions to one of its member agencies, no assurance exists that these plans or changes will actually be implemented.

The Council has had persistent problems evaluating the outcomes and effectiveness of the workforce system in Texas.

Texas policymakers are still waiting on consistent outcome data, despite being statutorily required since 1993.

- Since 1993, the Council has been required by law to develop performance measures to evaluate the workforce development system's impact across agencies. In 1995, the Governor approved a set of key performance measures for the Council to track. However, the Council only last year published its first set of baseline performance data on these system wide measures, for fiscal years 2000-2001.[4] Therefore, Texas policymakers will have to wait years to receive the type of consistent trend information anticipated when the law was first passed in 1993, with which to evaluate the progress of the workforce system overall in Texas.[5]

Lack of consensus impedes the Council's ability to determine the system's overall performance.

- Council staff state that member agencies' inability to reach consensus on the common operational definitions for measures has impeded the Council's efforts to publish a systemwide progress report, although each agency has the data needed to evaluate its component parts.[6] The lack of consensus is due in part to member agencies' different federal funding sources and definitions of measures. The Council has resolved some of the issues regarding measure language, but is still challenged to include data on the Texas Education Agency's adult literacy programs, due to remaining differences on measure definitions.[7]
- Although not precise, Sunset staff was able to compile fairly simple, but useful performance numbers. Upon request, the Council staff aggregated workforce and education program performance measure data across member agencies, as shown in the chart, *Workforce and Education Performance Measures*. While some measure definitions vary across programs, the Council staff weighted the data to show performance across workforce and education agencies. No data was available from TEA on its adult education or literacy programs.

Workforce and Education Performance Measures - FY 2000-01

Measure	FY 2000	FY 2001
Entered Employment Rate (Percent of People Getting Jobs) Counted: Choices, Food Stamps, Job Search Seminars, WIA Youth, WIA Adults, WIA Dislocated Workers, Tech-Prep, Community Colleges, Technical Colleges, and Vocational Rehabilitation. TEA Adult Education data not available.	66.6%	66.4%
Employment Retention Rate (Percent of People Keeping Jobs) Counted: Choices, Food Stamps, Job Search Seminars, WIA Youth, WIA Adults, WIA Dislocated Workers, Tech-Prep, Community Colleges, and Technical Colleges. TEA Adult Education data not available.	78.2%	78.8%
Earnings Gain Rate (Percent of People Making More Wages) Counted: Choices, Food Stamps, Job Search Seminars, WIA Youth, WIA Adults, WIA Dislocated Workers.	35.2%	43.3%
Educational Achievement (Percent of People Getting Credentials) Counted: Skills Development Fund, Apprenticeship Programs, Proprietary Schools, Community Colleges, Technical Colleges, and Youth Tech-Prep graduates. Adults finishing high school or getting a GED not counted.	64.6%	71.3%
Employer Participation Rate (Percent of Employers Using Job Matching Services) Counted: Percent of employers posting jobs in local workforce centers, not including Hire Texas. Agricultural employers and the self-employed are not counted.	8.7%	8.1%

Source: Data from member agencies TWC, THECB, TEA (Youth only); and data from partner agencies, TCB and TRC. Data complied by TCWEC upon request by Sunset staff.

The Council does not have the resources or the staff expertise to establish and maintain an effective automated follow-up system for evaluating the workforce development system.

- In 1995, the Legislature transferred most of the operational functions of the Council to the newly created Texas Workforce Commission, including the responsibility for setting up a comprehensive labor market information system. The legislation also transferred the State Occupational Information Coordinating Committee (now Career Development Resources within TWC), the entity that originally developed and has historically maintained Texas' automated student and adult learner follow-up system. However, responsibility for maintaining an automated follow-up system and an annual analysis of this information remained as statutory responsibilities of the Council.
- The Council, in its self-evaluation report to the Sunset Commission, recognized TWC as a more appropriate entity for maintaining the automated follow-up system, given that TWC has the necessary staff and computer expertise. The Council could still use the data for system evaluation, rather than being responsible for gathering and disseminating the data.

Recommendation

Change in Statute

1.1 Continue the Council on Workforce and Economic Competitiveness for 12 years, renamed as the Texas Workforce Investment Council.

This recommendation would continue the Council to meet federal requirements under the Workforce Investment Act. The Council would continue to be administratively attached to the Office of the Governor. Renaming the Council would simplify its name and clearly link it to its federal mandate.

1.2 Designate the Executive Director, rather than the Board Chair, of each of the five member state agencies to represent their agency as an ex officio member of the Council.

This change is intended to increase state agency participation in the activities of the Council. The executive directors are well-positioned to facilitate the resolution of critical interagency differences; and to ensure that performance data is reported to the Council, as required by law. The executive directors also have extensive involvement in the development of their agency's strategic plan and would be expected to help ensure better linkage with the Council's plan.

1.3 Require the Council to focus on resolving problems that cut across member state agencies, and hamper the integrated and seamless delivery of workforce services in Texas.

This recommendation would require the Council to identify and address problems that hinder the successful development of integrated workforce services. At a minimum, the Council should identify and evaluate points where different agency programs intersect, and evaluate them to identify potential duplication, gaps in services, and links between member agencies around workforce services. Strategies to resolve these issues should be included in the Council's long-range planning process; however, the Council should also develop a mechanism for addressing such problems in a more immediate fashion. The Council should include a list of specific cross-agency issues to be resolved each year, and report on the results of such efforts in its annual report to the Governor and the Legislature.

1.4 Require the Council to clearly identify the duties of each of the member agencies in implementing specific strategies of the Council's long-range strategic plan.

The Council should modify its long-term strategic plan to include the identification of agency-level coordination problems. Each of the strategies in the Council's strategic plan should clearly identify the member agencies responsible for implementing the strategy, along with the time frame anticipated for these changes to be accomplished.

1.5 Transfer the responsibility for establishing and maintaining an automated follow-up and evaluation system from the Council to the Texas Workforce Commission.

This recommendation would transfer the duty for maintaining this system to TWC's Career Development Resources (CDR). As part of this recommendation, CDR should also be directed to provide the required analysis, by occupation and training provider, of each workforce program over one, three, and five-year periods. CDR should maintain this data in a format that can be readily accessed via TWC's web site. The Council should use this data in performing its evaluation of the state's workforce delivery system. As part of this recommendation, the member agencies would continue to fund the automated follow-up system through contributions to the Council, but the Council would transfer this funding to TWC to cover the costs for maintaining the system.

Impact

These changes would ensure that Texas maintains compliance with federal requirements under the Workforce Investment Act, while tailoring the Council's duties to better ensure coordination of education, economic development, and human service functions with Texas' consolidated workforce agency. These recommendations would empower the Council to provide guidance to and compel action from its member agencies. These changes are needed to allow the Council to carry out its stated mission. Having TWC, rather than the Council, responsible for maintaining the automated follow-up system for tracking outcomes would place this duty at an agency with the expertise to carry it out, with the Council using the resulting information for its system evaluation.

Fiscal Implication

These recommendations would have no net fiscal impact to the State. If continued by the Legislature, the Council would continue to be funded through the Office of the Governor and its member agencies. The costs for maintaining an automated follow-up system would continue to be covered by the member agencies of the Council. The Council would still be responsible for collecting the funding needed for supporting the automated follow-up system. The Council would transfer this funding to TWC to cover the costs of administering the system. The Council should also return any unexpended TWC funding to the agency to further support this automated system.

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[1] Texas Council on Workforce and Economic Competitiveness, Council Meeting (Austin, Texas, March 8, 2002); and Letter from Council member to Sunset staff, March 21, 2002.

[2] Texas Council on Workforce and Economic Competitiveness, *Council Member Attendance Records, Calender Years 1998 - 2002* (Austin, Texas, March 2002).

[3] Interviews with Local Workforce Development Board staff during Sunset field visits, December 1, 2001 to January 8, 2002.

[4] Texas Council on Workforce and Economic Competitiveness, *Setting Benchmarks: Implementation of the Texas Workforce Development Strategic Plan In the New Millennium* (Austin, Texas, December 2000), pp. 23, 32, 39, 46, and 52.

[5] Texas Council on Workforce and Economic Competitiveness, *Action Item* (Austin, Texas, March 9, 1995).

[6] Interview with Texas Council on Workforce and Economic Competitiveness, Council Staff (Austin, Texas, November 11, 2001).

[7] Texas Council on Workforce and Economic Competitiveness, *Setting Benchmarks: Implementation of the Texas Workforce Development Strategic Plan In the New Millennium* (Austin, Texas, December 2000), p. 5.

Across-the-Board Recommendations

Texas Council on Workforce and Economic Competitiveness		
Recommendations		**Across-the-Board Provisions**
		A. GENERAL
Do Not Apply	1.	Require at least one-third public membership on state agency policymaking bodies.
Do Not Apply	2.	Require specific provisions relating to conflicts of interest.
Apply	3.	Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Update	4.	Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Update	5.	Specify grounds for removal of a member of the policymaking body.
Apply	6.	Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Modify and Apply	7.	Require training for members of policymaking bodies.
Apply	8.	Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Apply	9.	Provide for public testimony at meetings of the policymaking body.
Apply	10.	Require information to be maintained on complaints.
Do Not Apply	11.	Require development of an equal employment opportunity policy.
Apply	12.	Require information and training on the State Employee Incentive Program.

Council Information

Council Information

The Texas Council on Workforce and Economic Competitiveness (the Council) was established in 1993 to carry out strategic planning and evaluation activities for the Texas workforce development system. The system is made up of workforce programs and activities within the Texas Workforce Commission, Department of Human Services, Higher Education Coordinating Board, Department of Economic Development, and State Board of Education. The Council also serves as the State Workforce Investment Board (SWIB) under the federal Workforce Investment Act (WIA) of 1998.

The Council's key duties include:

- strategic planning for the integration of system-wide workforce development services in Texas and reviewing the plans of member agencies and local boards to ensure consistency with the statewide plan;
- evaluating the workforce development system by collecting and reporting performance measure data from agencies and employers to identify how well the state's workforce system is meeting the needs of employers and job seekers; and
- producing research reports for the Office of the Governor, the Legislature, and others, on topics such as Smart Jobs and welfare reform.

On the Internet
Information about the Council is available at www.governor.state.tx.us/tcwec.

Key Facts

- **Composition.** The Council is made up of 20 members representing business, labor, education, community-based organizations, and key workforce-related state agencies as shown in the chart, *Council Composition*.
- **Funding.** For fiscal year 2001, the Council received approximately $1 million in funding from the Office of the Governor and three of the Council's member agencies: the Texas Workforce Commission, Texas Education Agency, and Department of Human Services. Beginning in fiscal year 2003, the Higher Education Coordinating Board will also contribute funding to support the Council.

Council Composition	
5	members representing business
5	members representing labor
3	members representing education
2	community based organizations
5	ex officio agency members, specifically the chairs or presiding officers of the key workforce agencies
–	Texas Workforce Commission
–	Texas Department of Economic Development
–	Department of Human Services
–	State Board of Education
–	Higher Education Coordinating Board

- **Staffing.** The Council has 12 FTEs and is administratively attached to the Governor's Office in Austin. Two of the FTEs staff the Texas Skill Standards Board (TSSB), a related, but independent advisory board also located in the Governor's Office.
- **Strategic Planning.** The Council developed the first Texas Workforce Development Strategic Plan in 1994. The current strategic plan covers fiscal years 1999-2004 and includes goals, objectives, and performance measures for the programs and functions of the state agencies represented on the Council. The Council reports annually to the Governor and Legislature on the implementation of the plan.
- **Performance Measures.** The Council reports data on 25 performance measures that aim to assess the effectiveness of workforce activities in the state.

Major Events in Council History

1993 The Legislature created the Council as a state agency to develop a system of local workforce development boards and one-stop workforce centers; plan statewide for comprehensive employment and training services; and evaluate the system's effectiveness using key performance measures.

1994 The Council developed the first Texas Workforce Development Strategic Plan for fiscal years 1994-1999.

1995 In House Bill 1863, the Legislature removed the Council's status as a separate agency, and administratively attached it to the Office of the Governor. The Council's membership was reduced from more than 40 members to 20, and the responsibility of providing operational oversight of local workforce boards and centers was transferred to the newly created Texas Workforce Commission. The Council retained its strategic planning and evaluation duties.

1998 Congress passed WIA, which reformed federal job training programs and created a new, comprehensive workforce system. Under a "grandfather" clause in WIA, Texas was able to retain key elements of its workforce system as established under H.B. 1863, including the Council which was designated as the State Workforce Investment Board.

2001 The Legislature passed Senate Bill 429 which authorizes the Council to develop new system performance measures for all state agencies that administer workforce programs, and a funding formula to support the Council's operations.

Organization

Policy Body

The Council is composed of 20 members, 15 of which are appointed by the Governor and five ex officio members. The Council meets at least quarterly to consider actions and endorse Council reports. The Governor appoints the Chair from one of the business or labor representatives on the Council. The Chair appoints an Executive Director to administer the daily operations of the Council. The chart, *Council Membership*, provides information on each Council member.

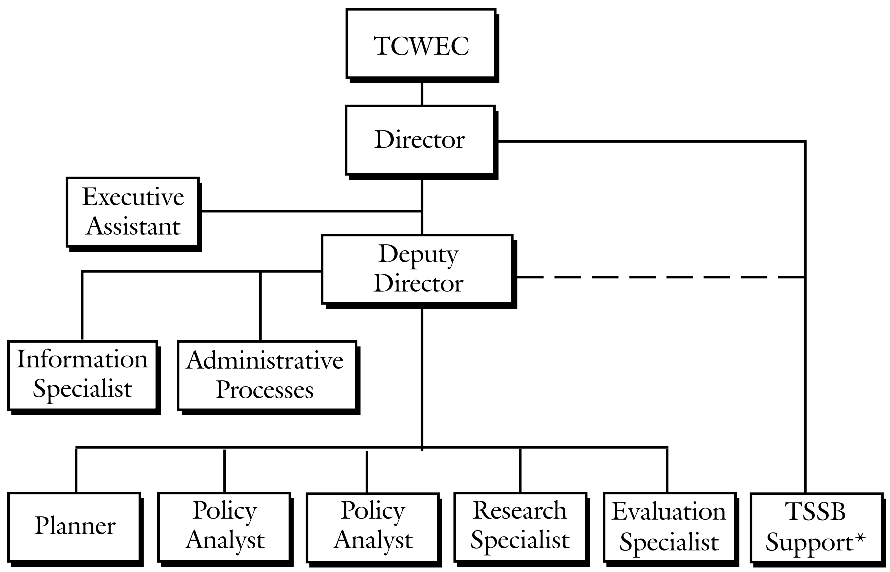
Council Membership

Name	Term	Representation	Residence
Ann Hodge, Chair	2/02 - 9/07	Business	Katy
Frank Acosta, Vice-Chair	2/02 - 9/05	Community-Based Organization	New Caney
Edward Adams, Sr.	11/99 - 9/05	Community-Based Organization	Austin
Angela Blanchard	2/02 - 9/07	Education	Houston
James Brookes	11/99 - 9/05	Labor	Amarillo
Steve Dement	1/98 - 9/03	Labor	Houston
Rowland Funderberg	10/97 - 9/03	Labor	Irving
John Paul Gable	1/98 - 9/03	Education	El Paso
Robert Hawkins	11/99 - 9/05	Labor	Bellmead
Harold Jenkins	2/02 - 9/07	Business	Irving
David Mooney	1/98 - 9/03	Business	Gilmer
Lonnie R. Morgan	2/02 - 9/07	Labor	Arlington
Mario Salinas	11/99 - 9/05	Education	Edinburg
John Sylvester	1/98 - 9/03	Business	Houston
John Wroten	2/02 - 9/07	Business	Plano
John M. Bradley, ex officio	For the duration of service in the designated office	Presiding Officer, Department of Human Services	Dallas
Diane Rath, ex officio	For the duration of service in the designated office	Chair, Texas Workforce Commission	San Antonio
Grace Shore, ex officio	For the duration of service in the designated office	Chair, State Board of Education	Longview
Macedonio "Massey" Villareal, ex officio	For the duration of service in the designated office	Chair, Texas Department of Economic Development	Houston
Pam Willeford, ex officio	For the duration of service in the designated office	Chair, Higher Education Coordinating Board	Austin

Staff

The Executive Director oversees 12 staff, as shown in the chart, *Texas Council on Workforce and Economic Competitiveness Organizational Chart*. Two members of the staff support the Texas Skill Standards Board (TSSB), which is described in the textbox, *Texas Skill Standards Board*.

Texas Council on Workforce and Economic Competitiveness Organizational Chart



*Two staff dedicated to support of TSSB.

Texas Skill Standards Board

- TSSB is an advisory board to the Governor and the Legislature, responsible for the development of a statewide system of industry-defined skill standards to guide curriculum development for workforce education and training.
- Skill standards describe the type of work that must be performed on a specific job and give performance indicators to determine competent work.
- Skill standards are intended to ensure that students and workers receive the training that employers need, and that training results in credentials that are meaninful to employers.
- TSSB has recognized more than 300 national industry skill standards for 19 jobs, including heavy equipment maintenance, database administrator, and county corrections officer.

Funding

Revenues

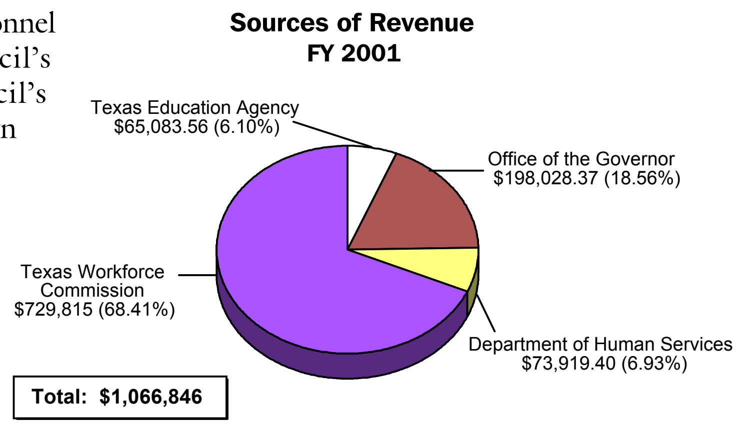
Because the Council is not a separate state agency, it receives funding and support from the Governor's Office and some of its member agencies. The Office of the Governor, in conjunction with these funding agencies, must approve the Council's expenditures. The Council operated on revenues of $1,066,846 in fiscal year 2001, as shown in the chart, *Sources of Revenue*.

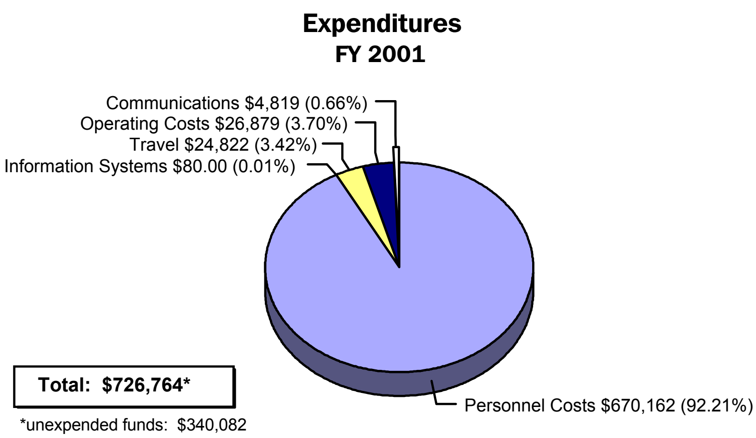
Expenditures

The Council spent $726,764 in fiscal year 2001, leaving an unexpended balance of $340,082. The majority of unexpended balances, which average approximately $348,500 annually from fiscal years 1998 –

2001, have been returned to TWC. Personnel costs are the majority of the Council's expenses, at $670,162. The Council's expenditures in fiscal year 2001 are shown in the *Expenditures* chart.

The Legislature changed the Council's funding formula during the last legislative session. Beginning in fiscal year 2002, the Council will be funded by contributions from each member agency based on each agency's relative participation in the workforce system.





The Council is now funded by agencies based on their workforce participation.

Council Operations

The Council conducts strategic planning and evaluation for the workforce development system in Texas. This system is comprised of the workforce programs and activities within the Texas Workforce Commission, Texas Department of Economic Development, Higher Education Coordinating Board, State Board of Education, and Department of Human Services. The 77th Legislature, in S.B. 429, included four additional agencies in these functions: the Texas Rehabilitation Commission, The Texas Commission for the Blind, the Texas Youth Commission, and the Texas Department of Criminal Justice.

The Council performs three key functions for the system:

- develops a statewide strategic plan and determines goals and objectives for the system;
- evaluates the system through statewide performance measures; and
- conducts research and publishes special reports related to the system.

A key goal of the Council is to establish performance measures to evaluate and improve the workforce development system.

To carry out its strategic planning and evaluation functions, the Council, with its member and partner agencies, develops a five-year Texas Workforce Development Strategic Plan for the workforce system. The current plan, which covers 1999 – 2004, provides an overall framework for the operation of workforce and education agencies, and local workforce development boards. The strategic plan also includes broad goals and objectives to help the system meet its most important outcome – providing skilled workers that meet the needs of employers. The system-wide goals are to:

- establish a business-driven workforce development system;
- establish performance measures to monitor, evaluate, and improve the workforce development system;
- ensure access to the literacy, education, and workplace skills required for employment and life-long learning;
- ensure workers have the education and skills for advancement into higher skilled, and higher wage careers; and
- empower youth with the knowledge, skills, and behaviors needed for employment and independence in higher skilled and higher wage careers.

The Council, in conjunction with the Texas Workforce Commission, reviews and approves the local boards' strategic plans for consistency with the Texas Workforce Development Strategic Plan. The Council also evaluates implementation of this plan and reports annually to the Governor and Legislature.

The Council evaluates the workforce system by collecting outcome data from member agencies on program performance measures, and tracking these outcomes over time. The Council works closely with the Texas Workforce Commission's Career Development Resources Division, which maintains data on the outcomes of participants in workforce and education programs. The Council also contracted for a survey of Texas employers in 2001 and 2002 to measure their use of, and satisfaction with, the workforce system.

The Council's research duties include producing workforce and economic development related reports on topics such as the Smart Jobs program; labor market information; welfare reform; and tax incentive and economic development laws.

In addition to its planning, evaluation, and research activities, the Council also serves as the State Workforce Investment Board, as required by the federal Workforce Investment Act. The purpose of a SWIB is to be the coordinating entity between the separate agencies administering workforce programs, as well as to provide a mechanism for the Governor to guide strategic planning for the workforce system. The textbox, *State Workforce Investment Board Duties*, summarizes the Council's duties under WIA.

State Workforce Investment Board Duties

Required under the federal Workforce Investment Act of 1998, these Boards perform the following duties:

- develop a single five-year plan for the state's workforce system to ensure collaboration and accountability across multiple agencies;
- approve the designation of, and subsequent changes to, local workforce development board areas;
- develop comprehensive state workforce and education performance measures to evaluate the progress of WIA activities; and
- review local board plans to assist in improving the activities of the local workforce center service delivery system.

APPENDICES

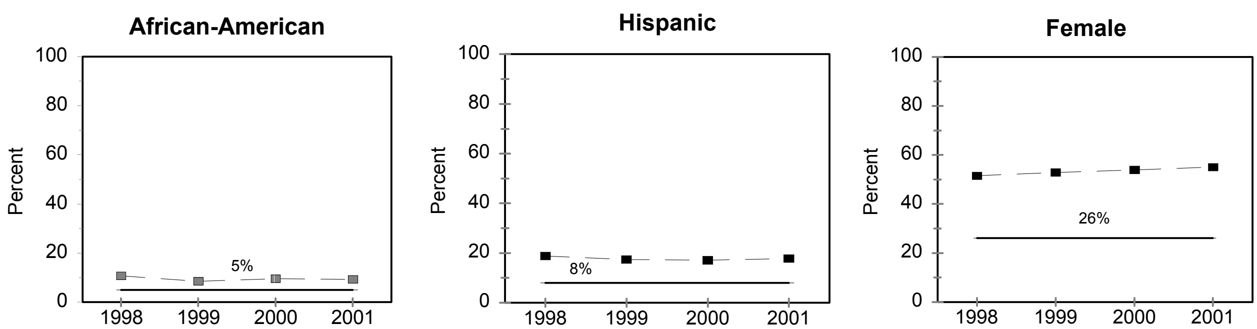
Appendix A

TWC Equal Employment Opportunity Statistics

1998 to 2001

In accordance with the requirements of the Sunset Act the following material shows trend information for the agency's employment of minorities and females in all applicable categories.[1] The agency maintains and reports this information under guidelines established by the Texas Commission on Human Rights.[2] In the charts, the flat lines represent the percentages of the statewide civilian labor force that African-Americans, Hispanics, and females comprise in each job category. These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The dashed lines represent the agency's actual employment percentages in each job category from 1998 to 2001.

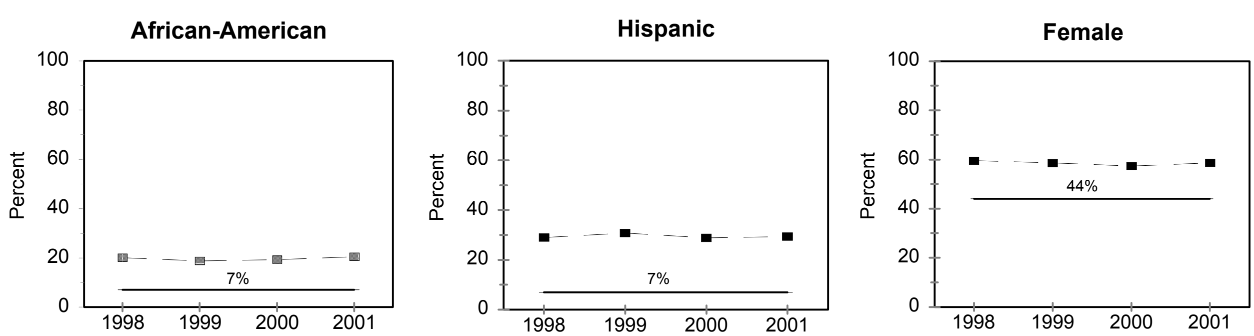
State Agency Administration



	African-American				Hispanic				Female			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Positions:	588	573	556	569	588	573	556	569	588	573	556	569
Percent:	10.37%	8.55%	9.53%	9.31%	18.87%	17.45%	17.08%	17.75%	51.53%	52.87%	53.95%	55%

The agency exceeded the civilian labor force percentage for African-Americans, Hispanics, and females in this category.

Professional

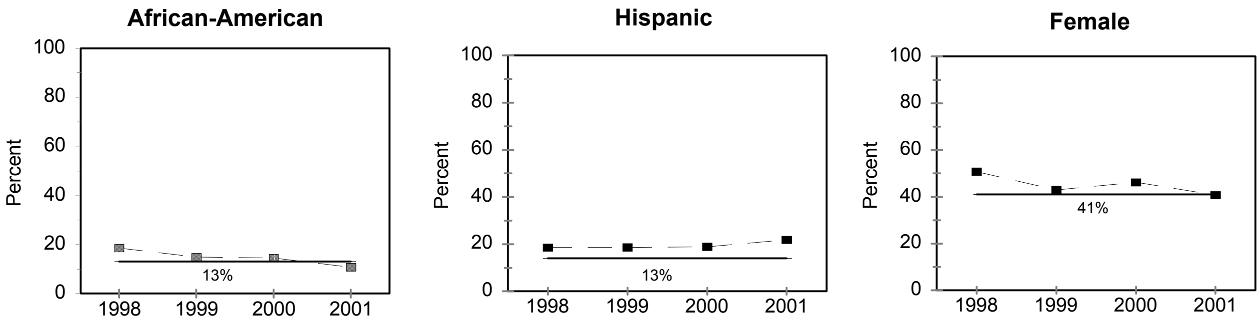


	African-American				Hispanic				Female			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Positions:	3,914	3,387	2,828	2,816	3,914	3,387	2,828	2,816	3,914	3,387	2,828	2,816
Percent:	20.08%	18.80%	19.34%	20.52%	28.99%	30.73%	28.85%	29.36%	59.50%	58.57%	57.31%	58.62%

The agency consistently exceeded the civilian labor force for all minorities and females in this category.

Appendix A

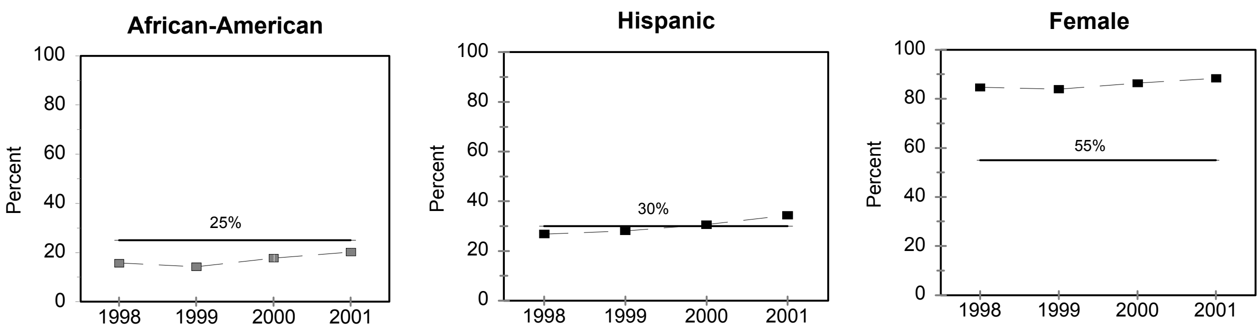
Technical



	African-American 1998	1999	2000	2001	Hispanic 1998	1999	2000	2001	Female 1998	1999	2000	2001
Positions:	329	263	290	270	329	263	290	270	329	263	290	270
Percent:	18.54%	14.82%	14.48%	10.74%	18.54%	18.63%	18.96%	21.85%	50.75%	42.96%	46.20%	40.74%

The agency generally met or exceeded the civilian labor force in this category during the last three years. However, female representation fell below standard in 2001.

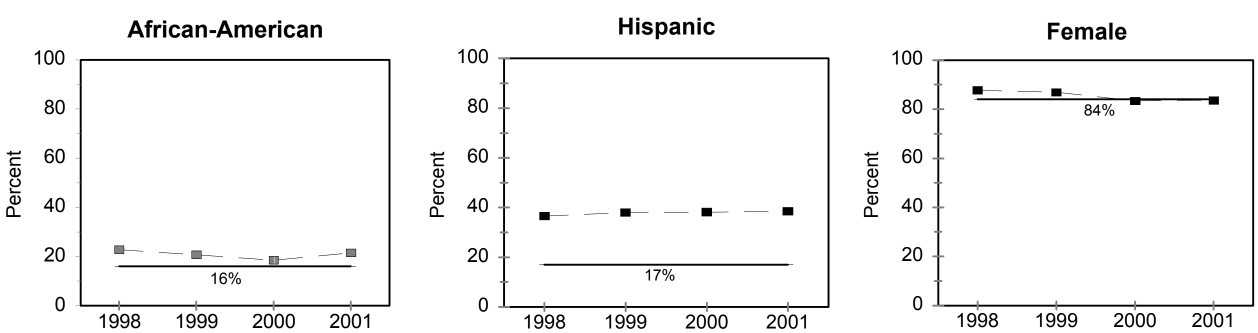
Para-Professional



	African-American 1998	1999	2000	2001	Hispanic 1998	1999	2000	2001	Female 1998	1999	2000	2001
Positions:	261	231	242	267	261	231	242	267	261	231	242	267
Percent:	15.70%	14.28%	17.76%	20.22%	26.81%	28.13%	30.57%	34.45%	84.67%	83.98%	86.36%	88.38%

While the agency far exceeded the civilian labor force percentage for females, African-American representation continued to be below the standard in this category.

Administrative Support

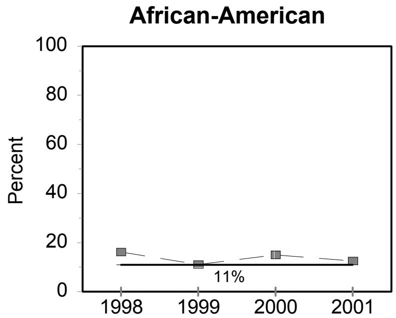


	African-American 1998	1999	2000	2001	Hispanic 1998	1999	2000	2001	Female 1998	1999	2000	2001
Positions:	661	435	367	330	661	435	367	330	661	435	367	330
Percent:	22.84%	20.68%	18.52%	21.51%	36.61%	37.93%	38.14%	38.48%	87.74%	86.89%	83.37%	83.63%

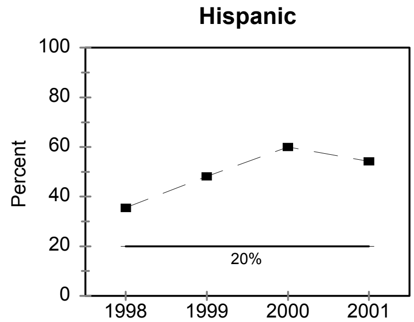
The agency generally exceeded the civilian labor force for African-Americans, Hispanics, and female representation in this category.

Appendix A

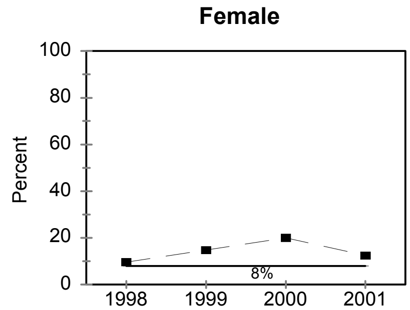
Skilled Craft



Positions:	31	27	20	24
Percent:	16.12%	11.11%	15%	12.5%



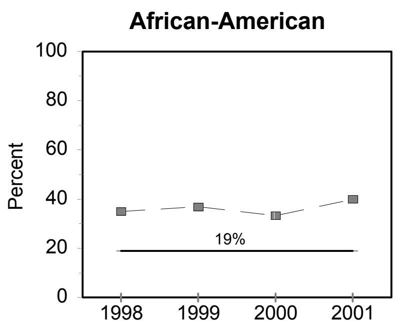
31	27	20	24
35.48%	48.14%	60%	54.16%



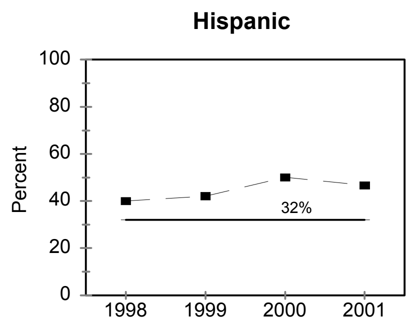
31	27	20	24
9.67%	14.81%	20%	12.5%

The agency generally met or exceeded the civilian labor force standard for African-Americans, Hispanics, and females in this category.

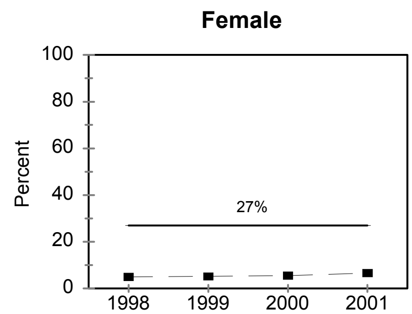
Service/Maintenance



Positions:	20	19	18	15
Percent:	35%	36.84%	33.33%	40%



20	19	18	15
40%	42.10%	50%	46.66%



20	19	18	15
5%	5.26%	5.55%	6.66%

The agency exceeded the civilian labor force standard for African-Americans and Hispanics but continued to be below the standard in employment of females in this category.

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1 Texas Government Code ch. 325, sec. 325.011(9)(A) (Vernon 1999).

2 Texas Labor Code ch. 21, sec. 21.501 (formally required by rider in the General Appropriations Act).

Appendix B

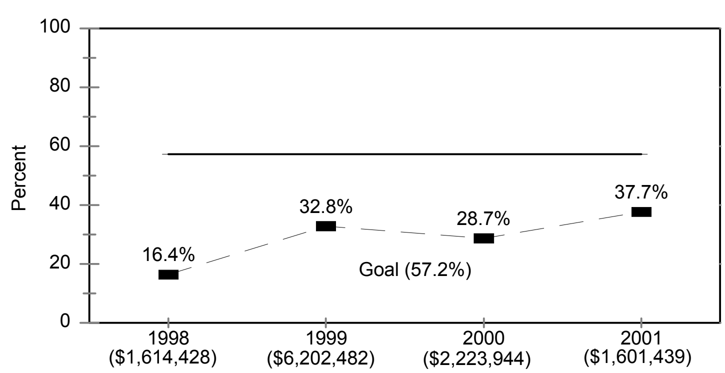
TWC Historically Underutilized Businesses Statistics

1998 to 2001

The Legislature has encouraged state agencies to increase their use of Historically Underutilized Businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.[1] The review of the Texas Workforce Commission revealed that the agency is generally complying with state requirements concerning HUB purchasing. However, the agency has not adopted HUB rules since the Building and Procurement Commission's rules are reflected in the agency's procedures. In addition, while the agency has two contracts that each total more than $100,000, the contractors do not have a HUB subcontracting plan because both contracts pre-date this requirement.

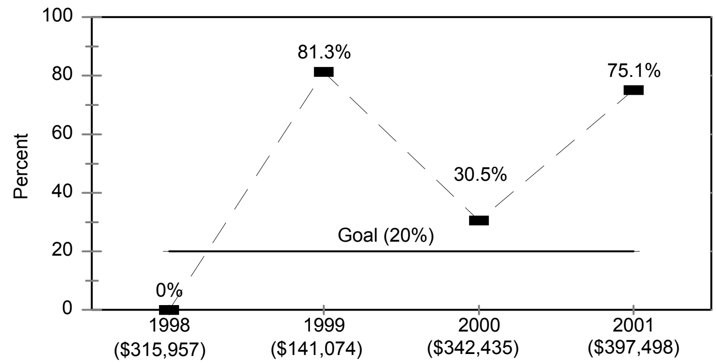
The following material shows trend information for the Texas Workforce Commission use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.[2] In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The dashed lines represent the percentage of agency spending with HUBs in each purchasing category from 1998 to 2001. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The agency has not met the State goals in the Special Trade or Other Services category. However, the agency has exceeded the State goals in both the Professional Services and Commodities purchasing categories.

Special Trade

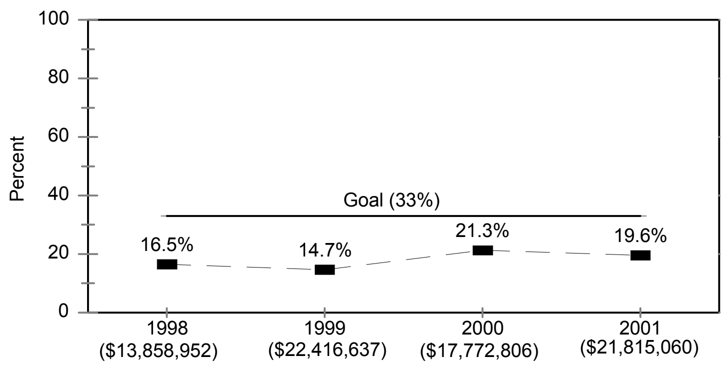


Appendix B

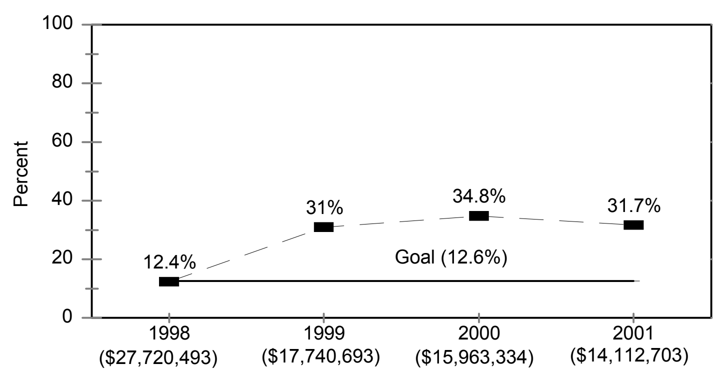
Professional Services



Other Services



Commodities



[1] Texas Government Code, ch. 325, sec.325.011 (9) (B) (Vernon 1999).

[2] Texas Government Code, ch. 2161, (1999).

Appendix C

Staff Review Activites

The Sunset staff engaged in the following activities during the review of the Texas Workforce Commission (TWC) and the Texas Council on Workforce and Economic Competitiveness (the Council).

- Worked extensively with TWC's Commissioners, Executive Director, management, and staff from each of the agency's major programs. Attended weekly TWC Commission meetings, and reviewed tapes and minutes of past meetings. Reviewed agency documents, reports, and publications.
- Worked with the Council Chair, Executive Director, and staff. Attended the Council, Texas Skills Standards Board, and advisory committee meetings. Met in person or interviewed by phone several Council members, representatives of member agencies, and the Chair of the Texas Skills Standards Board.
- Visited 12 local workforce development boards, 28 workforce centers, and four UI tele-centers in Arlington, Austin, Bastrop, Brownsville, Dallas, Denton, Edinburg, El Paso, Fort Worth, Galveston, Harlingen, Houston, Killeen, Lubbock, McAllen, Port Isabel, Richardson, Rio Grande City, Rockdale, Texas City, and Weslaco.
- Interviewed in person and by telephone local workforce development board members, executive directors and staff, contracted providers, TWC workforce center staff, and local elected officials. Attended local workforce development board meetings. Surveyed local workforce development board members about their experience with, concerns about, and suggestions regarding TWC and the Council.
- Met in person, or interviewed by telephone, federal Department of Labor, and Administration for Children and Families staff.
- Interviewed legislative staff of committees dealing with workforce issues, and staff of legislative members with key legislation impacting TWC and the Council.

  Interviewed staff and reviewed reports from the Governor's Office, Comptroller of Public Accounts, Office of the Attorney General, State Auditor's Office, Legislative Budget Board, Texas Education Agency, Department of Human Services, and Department of Protective and Regulatory Services.
- Interviewed staff and reviewed reports from other states, and statewide organizations, regarding adult education, child care, state workforce investment boards, unemployment insurance, welfare to work, workforce programs, and proprietary school regulatory agencies.
- Interviewed staff from AFL-CIO, Career Colleges and Schools of Texas, Center for Public Policy Priorities, Ray Marshall Center for the Study of Human Resources at the University of Texas-Austin, Workforce Leadership of Texas, chambers of commerce members, employers, community college representatives, and child care workers and advocates.
- Attended the 5th Annual Texas Workforce Conference in Houston, September 2001; and a TWC Texas Business Conference in San Antonio, November 2001.

Sunset Review of the
Texas Workforce Commission
Texas Council on Workforce and Economic Competitiveness

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