
**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2000**

**A REPORT TO THE
HOUSE OF REPRESENTATIVES
77TH TEXAS LEGISLATURE**

**JIM SOLIS
CHAIRMAN**

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Committee On
Economic Development

November 1, 2000

Jim Solis
Chairman

P.O. Box 2910
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The Honorable James E. "Pete" Laney
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on Economic Development of the Seventy-Sixth Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Seventy-Seventh Legislature.

Respectfully submitted,

Jim Solis, Chairman

Joe Deshotel

Mark Homer

Jim Keffer

Vilma Luna

Ruth Jones McClendon

Gene Seaman

Mike Villarreal

Ken Yarbrough

Members: Joe Deshotel, Mark, Homer, Jim Keffer, Vilma Luna,
Ruth Jones McClendon, Gene Seaman, Mike Villarreal, Ken Yarbrough

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INTRODUCTION

At the beginning of the 76th legislature, the Honorable James E. "Pete" Laney, Speaker of the Texas House of Representatives, appointed nine members to the House Committee on Economic Development. The committee membership included the following: Jim Solis, Chairman; members: Joe Deshotel, Mark Homer, Jim Keffer, Vilma Luna, Ruth Jones McClendon, Gene Seaman, Mike Villarreal, and Ken Yarbrough.

During the interim, the committee was assigned four charges by the Speaker:

1. Assess the strengths and weaknesses of local workforce development boards and their capacity to provide effective training and job services. Include a review of the boards' monitoring and verification of contractor performance and reports. Assess the workforce development system's effectiveness in the areas of (a) the TANF population, (b) dislocated workers, (c) persons with disabilities and (d) the high-technology workforce.
2. Actively monitor the status of the unemployment insurance compensation trust fund. Study the mechanisms in current law designed to keep the fund in the desired range.
3. Review current programs and examine other options for preparing students who do not seek advanced degrees for jobs in today's economy.
4. Conduct active oversight of the agencies under the committee's jurisdiction.

The committee and its subcommittees have completed their hearings and investigations and have issued their respective reports. The Economic Development Committee has adopted and approved all the subcommittee reports, which are incorporated as the following final report for the entire committee. The members approved all sections of the report.

The committee wishes to express appreciation to Yvonne Barton for her assistance with writing the report. In addition, we would like to thank Michelle Romero, Leo Munoz, Wendy McDaniel, Cindy de Roch, and our staffs for their assistance and efforts throughout the interim. Finally, we thank the citizens who presented testimony before the committee for their time and effort.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

INTERIM STUDY CHARGES AND SUBCOMMITTEE ASSIGNMENTS

LOCAL WORKFORCE DEVELOPMENT BOARDS

CHARGE To assess the strengths and weaknesses of local workforce development boards and their capacity to provide effective training and job services. Include a review of the boards' monitoring and verification of contractor performance and reports. Assess the workforce development system's effectiveness in the areas of (a) the TANF population, (b) dislocated workers, (c) persons with disabilities and (d) the high-technology workforce.

Full Committee Assignment

SUBCOMMITTEE ON UNEMPLOYMENT INSURANCE

CHARGE To actively monitor the status of the unemployment insurance compensation trust fund and to study the mechanisms in current law designed to keep the fund in the desired range.

Ken Yarbrough, Chairman
Joe Deshotel
Mark Homer
Gene Seaman
Mike Villarreal

SUBCOMMITTEE ON CHARGE #3

CHARGE To review current programs and examine other options for preparing students who do not seek advanced degrees for jobs in today's economy.

Jim Solis, Chairman
Joe Deshotel
Jim Keffer
Gene Seaman

SUBCOMMITTEE ON SMART JOBS -
OVERSIGHT ON TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT

CHARGE To conduct an active oversight of the agencies under the committee's jurisdiction.

Vilma Luna, Chairwoman
Jim Keffer
Ruth Jones McClendon
Mike Villarreal
Ken Yarbrough

SUBCOMMITTEE ON SPACEPORT -
OVERSIGHT ON TEXAS AEROSPACE COMMISSION

CHARGE To conduct an active oversight of the agencies under the committee's jurisdiction.

Jim Solis, Chairman
Joe Deshotel
Vilma Luna
Ruth Jones McClendon
Gene Seaman

LOCAL WORKFORCE DEVELOPMENT BOARDS

Committee Work

The House Committee on Economic Development met in three different Texas cities to discuss Charge # 1. These included Austin on May 11, San Benito on June 15, and Brownsville on September 26.

Background

The committee was charged to:

assess the strengths and weaknesses of local workforce development boards and their capacity to provide effective training and job services. Include a review of the boards' monitoring and verification of contractor performance and reports. Assess the workforce development system's effectiveness in the areas of (a) the TANF population, (b) dislocated workers, (c) persons with disabilities and (d) the high-technology workforce.

In 1995, with the passage of HB 1863, a new workforce development system was established in Texas which created the Texas Workforce Commission (TWC) as the agency responsible for its operation. The system included the consolidation of 28 workforce related programs from 10 state agencies and a local control model enabling community leaders to develop the workforce needed for their area through Local Workforce Development Boards (LWDBs). The legislation provided for employment, training, and child care funds through state block grants to career centers established by the LWDBs as a point of contact for all services. The creation of the 28 Local Workforce Development Areas (LWDAs) was recommended by the Texas Council on Workforce and Economic Competitiveness (TCWEC) and designated by the Governor (Appendix A). TCWEC was created with the passage of SB 642 in 1993 as a state human resource investment council responsible for the coordination of employment, education, and training plans, and in 1995, was placed under the Governor's Office for administrative purposes. With the Workforce Investment Act (WIA), the council was designated as the state workforce investment board. Assignment of such a board is federally mandated in order for Texas to receive WIA funding equal to over \$1 billion.

In 1998, the U.S. Congress established the WIA to replace the Job Training Partnership Act (JTPA) and directed implementation at the state level to be complete by July 1, 1999 or July 1, 2000. The WIA offers a state and local model for the delivery of workforce services. It provides for employment and training needs to be offered at a single location for adults, dislocated workers, and youths. The system is structured for activities that will increase participants' employment, retention, and wages. The WIA created a new workforce system much like the one that was already in place in Texas. The state was therefore able to implement the WIA by July 1, 1999 with certain allowances designated by HB 1863 such as board areas and composition. Texas was one of two states to implement the WIA early.

The LWDBs play a key economic role in Texas. Although the past few years of change for the Texas

workforce system has been a challenge, the efforts have been well worth it with all 28 boards now certified and operational. The boards' chairs and executive directors have also formed an association, Workforce Leadership of Texas, to share ideas and best practices in order to assist one another and build the system envisioned by the Texas Legislature. Each of the LWDBs was invited to attend and/or testify at each of the committee's hearings concerning this charge. Of the 28 boards invited, 21 responded by attending and/or providing testimony at the hearings or writing to the committee office. Representatives from the association presented testimony to the committee as well.

Strengths and Weaknesses

Each board proved they are dedicated to service and focused on the challenges at hand. Their candid analysis of obstacles to their effective and efficient systems was most helpful. It must first be accepted that our system is maturing and progress is occurring. By identifying any potential weaknesses, attention can be focused on what can be done to remedy them and fortify the system as a whole.

The overwhelming strength of the boards' ability to provide training and job services is their ability to build close relationships with community partners and businesses, secondary and postsecondary education, economic development councils, community based organizations, and job seekers. These partnerships combined with their ability to plan and deliver customized training to meet local demands was a strength often stressed by each board throughout our hearings. Responsiveness to business closures and layoffs was seen as another strong point of the boards which underscores their ability to target their services where they are needed. Finally, the development and administration of one-stop centers to coordinate job services were viewed as key to the success of a comprehensive workforce system.

The most common concerns indicated by the boards were performance measures, funding, rural areas, and child care. It is apparent that the boards are grappling with not only administration of programs but, also, the oftentimes difficult process of performance measurement. The boards want to be held accountable and agree that only through performance measures can the use of public funds be tracked and assessed. However, there is concern that the measures are seen as barriers which impede a board's ability to provide services. Several boards expressed the need for fewer measures with more meaning to them and their community. The information the performance measures report is usually not helpful for a board's local planning process. In fact, the current performance measures at times seem to be causing boards to limit their services by assisting individuals who are easier to serve in order to avoid getting sanctioned for not meeting particular measures. Hence, boards are not addressing the harder to serve population and those who are most in need of assistance. During one of our hearings, it was noted that a group of highly skilled, educated individuals were turned away from a workforce center due to the fact that they did not meet a specific literacy level in English. Literacy is not listed as any part of a performance measure. As one witness expressed, emphasis is needed on how many people get a job rather than how many people ask for help. The current performance measures which hold boards accountable are mandated by federal, state, and TWC requirements. There are 31 measures used to determine how all 28 boards are performing which include 17 federal measures, 8 Legislative Budget Board (LBB) measures, and 5 measures

developed by TWC to meet federal mandates. Additionally, there are over 100 measures that must be met by TWC through the LWDBs that are also considered when measuring performance. The only performance measure that has any related focus on getting people back to work is that of the LBB Core Performance Measure of percent entering employment after service. It was stated time and again throughout our hearings by TWC that most of these measures can not be changed since most are federally mandated. It must be noted however that this is a new system and adjustments must be made as the system matures so that improvements can be accomplished to make the system successful. Therefore, initiative must be taken to address these concerns at the federal level by one united voice. The state must communicate with the federal government that the present measures are impeding the effective development of an employer driven system. Texas has been the lead in the new workforce system process and has had many states calling its boards for advice on how to proceed with a successful system in their state. Texas again must take the lead and let the federal government know that the traditional measurements used to apply to welfare and other social programs can not be used in this system since its focus is on results rather than processes as was the case with the old system.

Local workforce programs are directed and planned by each LWDB's goals, objectives, resources, and local partnerships. Board members are responsible for the oversight of their workforce operations while the staff at the workforce centers manages the services each provides. The delivery of training services and education programs are conducted by local service providers through contracts with each board. Regardless, responsibility for all workforce funds allocated to each board is ultimately that of the state's and TWC, the state agency assigned to this task. The state manages these funds by holding boards accountable to produce the results desired. The LWDBs are given state and federal funds for each of their programs which they disburse to providers through competitive procurement. Some of these funds are allocated to the boards through different mandated federal formulas with specific federal guidelines set for the expenditure of the funds. Fortunately, the Texas system allows boards access to different workforce funds. Although, the multiple funding has yet to be integrated which is resulting in many challenges among the boards' financial management. The lack of this integration is causing the boards to focus on groups of people and individual programs instead of employer needs and a systematic approach. Decisions on the use of the funds are being made at the state level with little or no input from the boards, limiting the boards' ability to serve their community's needs. In addition, lack of funds for child care and Temporary Assistance for Needy Families (TANF) are impacting services to welfare families who will continue to be a large segment of the new workforce. Rural areas are especially feeling the impact as a result of a declining population with the current program structure only increasing costs to serve these individuals in remote areas. Once again, impractical performance measures are being set assuming that increases in funds would produce equal increases of service levels especially in the rural areas and the hard-to-serve populations.

Rural Texas continues to be a concern and topic of discussion among TWC and the LWDBs. During our interim hearings, many expressed the rural areas as being under served. Much attention had been focused by the system on the more populated areas in setting up full service one-stop centers with the rural and remote areas receiving minimal services. Consequently, TWC has since developed a community-driven rural expansion initiative. This plan focuses on expansion of services to the rural communities in order to meet the needs of TANF recipients and provides a grant total of \$1 million. 19 boards and 42 rural

counties which have a minimum of 100 adult TANF recipients will be eligible for 3 different types of funding. Initially, \$50,000 grants will be awarded to 10 boards which will provide funding for the promotion of employment or self employment opportunities, job retention, and re-employment. Another grant totaling \$200,000 will also be awarded to 1 or 2 boards within the first 10 boards to fund the use of innovative technology as part of the service expansion solution. The remaining funds, \$300,000, will be used to assemble a group of experts that can provide expertise in expanding services to the rural counties. While this initiative does provide assistance to the boards for expansion of services in their rural areas, job creation in rural Texas is still a vital factor in having these individuals and their families attain self sufficiency.

The availability of child care funds was found to be a key component of a job seeker's success in the workforce process and a critical part of a board's overall success. Improvement of child care delivery through additional funding was offered as a necessity to continue the progress boards are making. Lack of affordable, quality child care is a tremendous impediment for parents seeking to enter the workforce. Many boards have long waiting lists for child care, and this list continues to grow as a result of parents moving from welfare to work. Boards have increased reimbursement rates in order to have more high quality providers interested in participating in the system. Still, performance measures set for this area focuses more on the quantity rather than the quality of the service being offered. Another factor is the available child care with non-traditional hours of operation. Employment trends show an increase in rotating and weekend shifts resulting in a demand to have child care providers offering services with flexible schedules (Appendix B). Lastly, the decline in work exemptions from the Texas waiver expiration will also begin to add to this need. Currently, the federal government allows Texas to have different exemptions from work requirements by recipients of grant funds. Beginning in April 2002, only 1 exemption will remain. Recipients will then be required to participate in work activities unless they have a child who is 1 year of age or younger. TWC and the boards are already anticipating this expiration and have begun to prepare for the increase in child care needs. Texas is now serving approximately 97,000 children per day with 15% from parents with TANF work requirements and 10% from parents who either earn income levels that now make them ineligible for TANF or have timed out of their benefits.¹ Most recipients with subsidized child care are not a part of the welfare system. Without additional child care funding, this large population risks losing subsidized child care due to the waiver expiration resulting in a significant increase of parents in TANF having to meet work requirements. In order for boards to have the ability to offer improved care with more availability, funds must be increased particularly in the rural areas where child care options are sparse.

The following lists the strengths and weaknesses provided by the boards in their testimony.

Comments Received by LWDBs

Strengths

- Ability to build close relationships with local partners
- Ability to customize training to meet local needs
- Integrated service delivery
- Accountability
- Development of One-stop Centers
- Ability to respond quickly and efficiently to business closures or significant layoffs
- Ability to serve more families due to an integrated system as a result of the child care system through TWC

Weaknesses

- Transportation for small, rural board areas
- No control over the DHS sanctions process
- Weak ties with secondary & post secondary education
- Literacy is not a part of the workforce programs
- Need fewer performance measures that are meaningful and have the ability to show progress
- Some performance measures are viewed as barriers to providing effective delivery of services
- Performance measures should be based on outcomes and not processes
- Performance measures are burdensome as a result of having focus taken away from providing services to meeting the measures
- No performance measure for job placements unless individual is from the mandated welfare pool
- New workforce system still working on educating the local areas on services provided
- Planning is concentrated at the state level instead of the local level
- Laboring with issues involving the private sector in the centers
- Certification training system requirements are burdensome, driving away potential providers
- Allocation formula for funding does not include a base amount for administration which is needed to provide quality contract administration
- Need more “buy in” from partner agencies at the state level to ensure cooperation at the local level - everyone wants to be a partner in the One-stop centers without paying the price
- Limited funding for small, rural area boards which only allows for a small staff to coordinate all workforce program components
- Having to maintain a wait list for child care - North Texas has a list of 500 and serves 700
- Lack of appropriate funding for expanding services such as child care, transportation, & improved One-stop centers
- Allocation formula for child care should be based on poverty rate or number of children in poverty

Training and Job Services

A local system integrated with service components for employers and job seekers is the objective of the local workforce centers. Employers are offered services including information regarding job matching, workforce development, and the labor market. Job seekers are offered access to career development centers designed as all inclusive locations referred to as “one-stop centers”. The centers’ environment is structured to allow for customers to obtain services and information regarding local employment and training available at a single location. LWDBs have the flexibility of offering different types of centers throughout their region which include full service, satellite, and self service centers. Full Service centers provide an array of programs, satellite centers do not include all the programs but are still linked with the full service centers, and self service centers are designed for customers to directly access information and services. At any of the centers, workforce specialists can provide assistance in accessing the various services available in the community. In order to successfully serve the community, local workforce centers must be highly profiled. This could be accomplished through advertisements and board/community efforts. During our interim hearings, it was discovered that many boards and TWC offices were not advertised or listed in the local telephone books which would make it difficult for many trying to locate these offices to get assistance available. TWC has since corrected this oversight. Regardless, more efforts must be made by the LWDBs and TWC to increase awareness of the services available to employers and job seekers in each community.

The programs offered in each board area are those applied through the WIA, Welfare to Work (WtW), Food Stamp Employment and Training (FS E&T), Wagner-Peyser Employment Service (ES), Choices, and Child Care.

WIA, as stated previously, directs states to implement a workforce system design similar to that of Texas’ system designated by HB 1863. The WIA combines funding for adult, dislocated worker, and youth services for accessing at one location. It also allows for flexibility among the boards to offer the needed training for their region and holds them responsible for the results.

WtW is a federal initiative that provides grants for assistance in removing barriers to attaining long-term employment for TANF recipients. These grants are aimed to assist TANF recipients and non-custodial parents who have experienced, or possess characteristics affiliated with, long-term welfare dependence. Long term TANF recipients with employment barriers receive approximately 70% of these funds while the remaining funds, 30%, are dedicated to recipients with long term welfare dependence characteristics. The guidelines for this initiative offer flexibility to the boards in deciding the services provided and individuals served. Lack of TANF funds is becoming a significant concern for many boards since it would impact the services available for many families. This concern is likely to continue since the TANF population is a large portion of new workforce entrants.

Individuals receiving food stamp benefits are obligated, unless exempt by law, under the FS E&T program to enter employment, training, or work related activities. This program assists those who are not eligible for the cash assistance provided under TANF to become self sufficient. Other support services such as transportation and child care are also offered to individuals in this program.

Through the network of the LWDBs' career centers, the ES is provided. Each board is responsible for the planning, development, and oversight of the ES. This service includes job search assistance for workers and recruitment assistance for employers. It offers the LWDB system a basis for public and universal services among workers and employers. The Department of Labor (DOL) requires ES services to be delivered by an established merit system. Therefore, ES staff at the centers are all TWC personnel. Since the boards are responsible for determining where ES services are most needed, they decide where the ES staff is located. ES funds are allocated to the boards using the same formulas the federal government uses to allocate to the states which is based on the civilian labor force and unemployment rates. These are the only funds that the state receives that support employment services for all and are not targeted for a specific group or recipient.

The Choices program is funded through the TANF block grant. It provides for job assistance and support services such as basic skills and vocational training to individuals receiving cash assistance through the grant. The program encourages the transition from welfare to self-sufficiency by providing an instant bridge to the workforce through a work first policy. In order to continue receiving TANF aid, parents may be required to enter the Choices program or undertake other work assignments. Participation in these programs are federally mandated, collaborated through the state level, and based on the number of mandatory individuals in a family. For FY 00, the rate for all families was 40% and 90% for 2 parent families. The state is penalized through the amount of funds allocated by the federal government if the rates are not met. Due to the upcoming expiration of the Texas waiver, TWC and the boards are preparing by making plans to increase the Choices caseload in 2001 by 17%, followed by an additional 43% in 2002, and 95% by 2003.²

Child Care funds are provided to families in need in order to allow for parents to enter and continue in the workforce. Eligibility is determined by the parent's need to attend to work, training, educational, or job search activities. Children with disabilities or teen parents are offered funds if the board allocates them for these specific populations. In addition, these funds are used to increase the availability of early childhood development programs, improve the quality of child care services being provided, and offer more before and after school programs in the board area. As a result of the increase in Choices anticipated from the expiration of the waiver, preparations and legislative requests for additional funding are also being made regarding child care needs associated with this increase.

Another service offered at a local workforce center is "Hire Texas". This service is available at any hour of the day for job seekers and provides employers access to a large database of Texas job seekers via the Internet. According to TWC, the current database contains over 1.4 million registered individuals searching for work in Texas ranging from temporary to skilled workers. An individual can register for work and receive services if they are eligible to work in the U.S. These individuals provide their qualifications and other relevant information upon registering which is matched through the system to employers submitting

job orders. Employers can submit these orders describing the jobs available at the workforce centers which are matched by the center's staff with qualified individuals in the system. Individual accounts for employers can also be assigned through the Internet by having the employer code each job opening to search for specific criteria. Through the system, the employer is able to obtain a list of ranked and scored candidates according to the qualifications met by the requirements for that job opening. This system offers a direct link available throughout each day between job seekers and employers.

Monitoring and Verification of Contractors

Since boards are prohibited from directly operating their workforce centers, local providers are awarded contracts to deliver the desired services that will achieve the goals and objectives set by the boards. These services can be contracted with organizations such as universities, community colleges, labor training programs, local employers, and nonprofit organizations. Board members at times may be associated with these organizations and are therefore instructed to avoid any conflict of interest when such an organization is being considered for their contracted services. When this situation exists, a board member should declare the conflict, remove themselves from discussions, refrain from influencing decisions, and abstain from voting on the issue. This at times may be difficult to achieve specifically among workforce staff who are directed to monitor the contracted service provider and have the authority to sanction the provider if certain contract items are not met. Workforce staff also indicated having difficulty in holding providers to any specific measurement that is provided by the TWIST system since many feel the information on this system is not quite accurate.

The TWIST system is a vehicle for comprehensive data gathering and reporting used by the boards for the development of their performance reports. Technical and hardware problems that plagued this system when it was first implemented may have given the boards reason for not trusting the information it provides. Consequently, the State Auditor's Office conducted an audit of the LWDBs which reviewed this system in addition to the contracting and monitoring performed by the boards and the workforce system. Their report is due out before the end of the year. A preliminary review of their analysis shows that the TWIST system's information is sound. Most misconceptions about the system are due to staff and boards not quite understanding how the system's information is collected and analyzed for the performance reports. Providing extensive information to the boards and centers' staff on this process would alleviate these misconceptions about the system and could prove to be an indispensable tool for boards in monitoring contractors, as well as their own, performances.

The effectiveness of a board's workforce operations is determined by reviewing its workforce services. Performance standards, contract monitoring, and any other measurements set by a board for their area are used to hold boards accountable for the delivery of services. Responsibility for the monitoring of programs is shared among the LWDBs and the TWC. Unfortunately, this produces layers of monitoring that includes federal, state, local, and provider entities which can be very complex, repetitive, and burdensome. Many boards have relied heavily on having their contractors monitor themselves or lack the regular monitoring of contractors needed to identify the strengths and weaknesses of the services being provided. This often resulted in having funds to the boards deobligated due to the lack of budget monitoring on performance of

the contractors. At the start of the interim, only a few boards were including specific requirements and sanction policies in their contracts. Within the last few months, this practice has changed with more boards having contracts specify these requirements. Nonetheless, the process of sanctioning providers does become difficult specifically in board areas that do not have other providers participating in the process. Many boards have indicated that their pool of providers is very limited and the providers are well aware of this. There are providers who are doing a tremendous job but hesitate to offer best practices to others for fear of losing their contract to someone else. This unfortunate situation must be remedied through collaboration among the boards and the TWC to develop an effective plan in attracting providers offering the best possible services to achieve successful measurements.

As the system matures and weaknesses are identified, changes must be implemented in order to succeed. TWC realizes many boards need technical assistance especially in regards to monitoring and contract management. The agency has established a new department where all contracts are consolidated and placed in a database in order to support productive contract administration and enhance contract monitoring. The agency has also provided various types of outreach to the boards which include conferences, workshops, weekly conference calls and regularly scheduled meetings that offer assistance in many areas. These outreach activities currently do not have a required attendance policy for the boards.

The System's Effectiveness

The workforce system in Texas is designed to be employer driven in order to meet the needs of business and industry. With economic demand driving the workforce system, boards can shape their programs to meet the needs of their primary customer, the employer. A successful strategy for the system is directly linked to the success the workforce centers have in identifying the needs of the local employers and communicating this awareness in order to reach out to them. Board members must also completely recognize and understand the needs of employers and job seekers in their community. Workforce centers should be promoted as the point of contact for businesses to convey their needs, therefore having the ability to shape the workforce programs in the area. Local communities must all be made aware of their workforce centers which is the board's responsibility. Awareness is best addressed where the populations are present such as community organizations, churches, schools, colleges, government offices, and libraries. The boards and the TWC must evaluate their efforts in promoting the system's services to identify more effective methods of outreach to employers, educators, and workers in their communities.

The TANF Population

The main purpose of TANF is to eliminate the dependence on government benefits by providing services to assist individuals in becoming self sufficient. In 2002, the federal authorization of the TANF block grant is up for renewal and the end of the first national group of recipients with the five-year time limit will be here. Texas has a unique situation in this case since its system began implementation as mandated by HB 1863 before the national legislation was passed which allowed the state a federal waiver. As a result,

Texas recipients currently have a variety of time limit requirements. These requirements will however fall in line with federal mandates in 2002 when Texas' waiver expires. Additionally, this waiver expiration will no longer permit nearly half of Texas' TANF adults from exemption of the federally mandated work requirements. Many states are anticipating possible changes to the program and what effects may be felt at the state level. One consideration is the future allocation of funds to the states which will depend on the interpretation of the data regarding welfare caseloads and expenditures. The Council of Economic Advisers estimates that TANF has accounted for roughly one-third of the national welfare caseload reduction from 1996 to 1998 with the labor market being another factor.³ Texas had a 59.8 % decline in TANF recipients and was the 17th state with the largest decline in the U.S. from 1996 to 1999.⁴ Many believe the decline in the caseload is due to the economy's creation of new jobs and placing recipients that were easiest to employ in a job. Therefore, the current TANF recipients are more likely to be those who are the most difficult to employ due to barriers such as lack of education, skills, transportation, or long term health or mental illness.

With the U.S. welfare reform law, states are mandated to spend state funds at a level equal to at least 80% of their FY 94 levels or 75%, if the state meets certain TANF work participation rates.⁵ Between 1997 and 1999, Texas decreased its federal expenditures by 55% with a ranking of 10th nationally, while its combined state and federal expenditures declined 30% and ranked 17th.⁶ The new workforce system created in Texas directing local control provided for a lead to the welfare reform law passed years later by the U.S. Congress. Unfortunately, the federal mandates that are transferred to the states as a result of receiving block grants do not allow for complete freedom of innovation at the local level to meet special local needs. If the national goal, by way of the state and local communities, is to help all TANF recipients become as self-sufficient as possible, then a goal should be to encourage continued innovation in developing strategies for the hard-to-employ and testing some of the strategies to find out more about their effectiveness.⁷ This could be accomplished by having an accessible system with a vast array of services and strategies to assist and prepare a diverse population with difficulties to transition to work. Such a task would need to include staff preparation as well. The workforce system has changed drastically within the last few years but the resources needed for such a change have not always been considered. Staff assisting these individuals must be equipped with the tools, resources, and training to meet the demands required to be successful. The establishment of partnerships with the community and its service providers is a key component of succeeding at this task. Boards who are able to build a strong relationship within the community are best suited to address the barriers present for these individuals.

Dislocated Workers

Under WIA, TWC administers programs and services for dislocated workers which are provided at local workforce centers by the LWDBs. Employment and training programs are offered through the WIA Dislocated Worker Program. Individuals who receive an official notice of a layoff or become unemployed due to no fault of their own are eligible for individualized re-employment services. If a layoff or plant closure affects 50 or more workers, the Rapid Response program is available. This program provides early, immediate intervention assistance by transitioning workers to their next employment. If a layoff or plant closure affects fewer than 50 people but is in a community with a population of 50,000 or less, they

may also be eligible to receive these services. The Rapid Response program services include job search assistance, labor market information, group stress management seminars, and group financial management seminars. Because of the local workforce centers' flexibility on structuring services for each area, Rapid Response services are offered by tailoring to the needs of those affected.

Another program that offers training, job search, and relocation assistance is the Trade Adjustment Assistance (TAA) program. This program provides assistance to manufacturing employees who lose their jobs as a result of foreign imports. These individuals are also eligible for additional financial assistance paid on a weekly basis through Trade Readjustment Allowances (TRA) if they go through all their unemployment benefits while enrolled in an approved training program. The unemployment benefits and TRA assistance provide financial support for approximately 78 weeks. In addition, the NAFTA-Transitional Adjustment Assistance (NAFTA/TAA) was added to the TAA program by Congress in order to assist individuals adversely affected by Mexican or Canadian imports or by a production shift to these countries.

Through these programs, affected workers are eligible for various services to prepare and obtain noteworthy employment. The TAA however does not have any federal performance measures. The Texas Legislature can review the progress and effectiveness of the program through the TWC annual report on TAA which was mandated by SB 1507 last session.

The TAA program was created in the 1970's to assist autoworkers losing their jobs to the imports from other countries. Texas workers accessing the program today are very different and thus the program does not completely address all the needs of these individuals. The automobile workers were usually union members with more education and skills, whereas the Texas workers usually possess limited skills in English. These individuals usually need additional training such as English as a Second language and Adult Basic Education Skills in order to take advantage of the vocational training offered through the program. The TAA program could be more effective for Texas if the federal mandates would allow for more flexibility in order to address the needs of the workers currently accessing the program.

Persons With Disabilities

TWC has instructed the LWDBs that they must ensure that certified Texas workforce center program services and facilities are accessible to individuals with disabilities and comply with federal and state requirements. Through a memorandum of understanding (MOU) between TWC, the Texas Rehabilitation Commission, and the Texas Commission for the Blind, cooperation for the workforce system is encouraged and directed for the benefit of the state. TWC is continually working with the boards to insure that people with disabilities have physical and programmatic access to job and training information. The agency continues to ensure that centers and programs are accessible, someone on staff at the centers is designated to assist people with disabilities, and TDD lines are in place.

At a recent statewide workforce conference, exemplary service by LWDBs to persons with disabilities was identified by TWC, the Texas Rehabilitation Commission, and the Texas Commission for the Blind. The

recognitions included Work Advantage in Tarrant County, Texas Workforce Center in the Alamo area, The Workforce Center of North Texas, and The West Central Texas Workforce System - Career Stop. The Capital Area board has also provided additional assistance by installing a braille printer and special computers in their center that can be used by the disabled. While these boards are being acknowledged for their outreach and assistance to these individuals, other boards realize there is room for improvement and are asking for assistance in planning, programs, and staff training to remedy this situation.

The High-Technology Workforce

The high-technology workforce is a valued commodity in today's economy. Individuals in a technology related field are often lured away from their current employment to other companies offering higher salaries and many more benefits. For this reason, many LWDBs do not have specific services designed to assist these individuals with job placement. However, these individuals do have access to HIRE Texas which was previously described. This service is a system accessible at all centers and open to anyone who is searching for a job.

During the last legislative session, SB 231 was passed which directed the TWC to develop a statewide information and marketing campaign designed to encourage residents of the state to enter the technology workforce. The legislation directed the campaign to target populations that are traditionally economically disadvantaged and under represented in the technology workforce. As a result, the TWC will be awarding \$300,000 in FY 00 WIA funding in the form of two \$150,000 contracts in two areas of the state through a competitive RFP (Request for Proposal) process to entities comprised of a LWDB or a public, private, or community organization in partnership with a LWDB. These entities will be responsible for developing the campaign which will run for one year commencing upon contract award. It has been recommended that one contract be awarded to an entity in a labor market consisting of a large metropolitan area with a large technology workforce base and the other contract be awarded to an entity in a labor market consisting of a medium to small sized metropolitan area with a smaller technology workforce base. Using labor market information, the entity must attest to having a workforce base with sufficient employment in occupations related to technology. Currently, TWC is ranking proposals and anticipates signing contracts with two boards by November 20, 2000.

Another unique innovative project that is aimed at assisting individuals with barriers to enter the high-technology workforce was initiated by Worksource, the Dallas County workforce board. By establishing a partnership with Business Access, a full online service for education and job training, they are providing 1000 computers in the homes of Dallas workers who are welfare-to-work recipients. It allows these individuals to take and complete any available online course at any time while keeping track of their progress. This project was paid by the Dallas board through a welfare-to-work grant with Business Access providing payment for the license so it could be shared among the other boards. The computers are customized and protected against fraud and theft. The system offers a flexible, simple way to allow individuals, specifically parents, to obtain skills and training without the worry of having to find additional child care. Through the Internet, the system is customized to lead to the individual's career/learning plan

and includes a list of the available courses with the curriculum designed for that particular plan. This also includes the ability to view the 700 courses available online in addition to 1st through 12th grade literacy courses. An 8th grade literacy level is set up throughout the system; however, if the individual has difficulty with that level, they can prompt the system to read the entire page for them. The board also has the ability to track each individual's progress by entering a specific user's system. The site is structured for its particular users and is continuously upgraded to include the best information and resources needed to assist its users. This is a tool for individuals to acquire work skills in order to obtain jobs and is therefore limited to items that will assist in accomplishing that task. Users have access to the Internet and the ability to send and receive email but are restricted from certain sites such as gambling and pornography. This is a critical project that encourages individuals, particularly those with limited child care funds, to increase their skills and become self sufficient for their families.

Recommendations

While we recognize the workforce system in Texas is designed to be directed by the local boards in order to have the ability to meet the needs of so many different communities across the state, it is evident that the system and its boards need assistance at accomplishing this task. Ultimately, the responsibility for such assistance falls with the Texas Workforce Commission. The workforce system is progressing but still has much more to do in order to accomplish what it is intended to achieve. Some boards are maturing and have identified what is successful for their areas while others are still new to the processes with just a little over a year of certification. The committee recommends the legislature provide the boards with the use of state resources to assist in this continuing transition by:

- < directing the TWC to evaluate and adjust accordingly the use of their FTEs regarding assistance provided to the boards particularly in performance measurement, financial management, child care, and contract management;
- < directing the TWC to require boards to participate in a certain amount of outreach activities the agency provides in order for boards and their staffs to become proficient in the administration and operation of their workforce centers to be a successful board for their community;
- < directing the TWC to develop a detailed yet understandable plan for the boards regarding the sanction process which should also include the technical assistance that will be provided and the time frame the boards will be allowed to address these concerns in order to improve their performance. In addition, the TWC should be directed to provide substantial training to the workforce center staff and board members regarding the collection and analysis of data in the TWIST system for performance reports;
- < directing the TWC to develop a plan addressing the lack of local service providers participating in particular board areas. Incentives must be used to attract exceptional providers and encourage them to share their best practices with other providers in order to increase the pool of selection. A plan of action should also be directed to include the board's process of sanctioning its provider and having other available options such as using the TWC to assist in providing the services until

-
- < another provider is designated. Current practice has some boards continuing to pay for services that are not being properly provided due to having no other option for providing local services;
 - < directing the TWC to collaborate with the LWDBs when determining use of funds at the local level. Many decisions are being made at the state level regarding the use of these funds with little or no input from the local boards concerning the services needed in their communities. The TWC should also develop funding guidelines and strategies allowing flexibility to the boards for identifying and addressing the needs of individuals who are in remote areas and/or possess barriers to employment; and
 - < directing the TWC and the LBB to review and adjust the performance measurements used to rate the LWDBs so they do not hinder the board's ability to provide the services needed in order to achieve successful results. Measurements should be directed to encourage the boards to assist recipients in attaining sustainable employment with wages that will allow individuals and their families to be self sufficient.

In addition, the legislature must also assist the boards in this process by:

- < supporting the TWC's LAR for additional funds to sustain the anticipated increase in individuals that will need assistance due to the federal mandates resulting from Texas' waiver expiration;
- < directing the TWC, the Texas Rehabilitation Commission, and the Texas Commission for the Blind to strengthen their cooperative efforts in providing assistance and suggestions to the LWDBs on serving persons with disabilities;
- < directing the TWC and the DHS to develop a cooperative process among their systems in order to provide the LWDBs with access to data that determines their progress and sanctions; and
- < collaborating with the TWC in submitting a resolution to the U.S. congress regarding the current federal mandated performance measures and how these measurements can be changed to better serve the local boards and their communities. This collaborative effort should also include directing information to the Texas Congressmen and Senators regarding these issues in addition to asking for their assistance in this effort.

SUBCOMMITTEE ON UNEMPLOYMENT INSURANCE

Committee Work

The House Committee on Economic Development Subcommittee on Unemployment Insurance met on May 16, 2000 in Austin, Texas and August 30, 2000 in Houston, Texas.

Background

The committee was charged to:

actively monitor the status of the unemployment insurance compensation trust fund and study the mechanisms in current law designed to keep the fund in the desired range.

The unemployment insurance program was established in 1935 under provisions of the Social Security Act as a federal-state partnership. In 1936, the 3rd called Session of the 44th Texas Legislature passed the Texas Unemployment Compensation Act (TUCA) imposing a tax rate on employer's total wages paid of 0.9% for 1936, 1.8% for 1937, and 2.7% for 1938 to 1940. An experienced general tax rate started in 1941. The program's administration is funded through the Federal Unemployment Tax Act (FUTA) which is the federal unemployment tax paid annually to the Internal Revenue Service (IRS) by employers. The Texas Workforce Commission (TWC) is the state agency charged with assessing and collecting a payroll tax from Texas employers which is deposited in the Unemployment Insurance (UI) Trust Fund. The fund pays out unemployment benefits to temporarily unemployed individuals who use this as a temporary income support while seeking work. Each employer's tax is based on their experience with the tax rate which is determined primarily by the amount of UI claims paid to former employees.

If federal mandates are met by the state, the federal unemployment administration provides a 5.4% credit against the FUTA tax rate of 6.2%. Employers must pay the federal unemployment tax rate on the first \$7,000 in wages paid to each employee. As a result of the credit, the FUTA tax is offset and equals to 0.8% of taxable wages. The full credit is received by Texas employers as a result of staying in conformity with federal mandates. However, the resulting credit can be withdrawn if the Department of Labor (DOL) determines that the state is not in conformity by not administering the provisions of the federal law properly. This would cause Texas employers to pay the 6.2% FUTA tax rate. In 1999, Texas employers did receive this credit and paid approximately \$472.3 million in FUTA taxes. TWC projections for 2000 FUTA taxes show employers paying approximately \$478.5 million.

The System and Its Mechanisms

The Texas UI system is quite complex with several factors contributing to its dynamics. It is set up with many mechanisms by law to ensure that the UI Trust Fund remains within its range. The system also has

two distinctive dates that set certain mechanisms into play depending on the fund's balance. Each year the funds' transfers and solvency are determined on September 1 and October 1, respectively. In addition, the status of the fund can not be determined by any one specific factor but rather by a combination of them. In 1999, the Texas economy was thriving and unemployment rates were down, yet, UI benefit payments increased resulting in a fund balance that was dangerously low. Fortunately, certain mechanisms in the system were applied as set by statute which brought the balance back within its range.

The UI Trust Fund's minimum balance is defined in statute as the Floor and equal to the greater of \$400 million or 1% of the total taxable wages for the four calendar quarters ending the preceding June 30. The UI Trust Fund's maximum balance is defined in statute as the Ceiling and equal to 2% of the total taxable wages for the four calendar quarters ending the preceding June 30. These balances keep the range of the UI fund rather narrow and small compared to other states. Texas is 51st in its UI system reserves (Appendix C) and 31st in lowest tax rates (Appendix D). The Texas system is set up with a tax structure of low rates and a design that allows for continuous movement throughout the year. The low tax rate usually causes the balance to move more towards the Floor. This is a result of the legislature preferring to keep taxes to employers low so billions of dollars can be working in the economy instead of having those dollars fill up a large UI fund in the state treasury. On the other hand, in an economic downturn, a cushion would be provided by a large UI fund and would reduce the possibility of an additional tax to employers or borrowing of funds from the federal government to pay UI benefits. Other states stay above their floor by having their employers pay a higher rate on UI taxes as shown in Appendix C.

The annual tax rate for an employer in Texas is the sum of the general tax, the replenishment tax, and the deficit tax (Appendix D). Calculating this tax rate involves using the employer's prior three years of taxable wages and benefits paid to former employees. This long period of the employer's records is used in order to level out dramatic changes in benefit payments for individual employers as well as the state. When the number of benefit payments increases by a sizeable amount, the tax rate increases. These increases are imposed in a slow fashion resulting in a delay which has the tax rates increasing the year after the increase in UI benefit payments occurs. Unfortunately, the delay can also allow for the higher tax rates to remain for up to three years. Therefore, the system's structure can allow UI revenues and employers' tax rates to be low during periods of high benefit payments and to be high during periods of low benefit payments.

The 1999 Factors

As stated earlier, the UI Trust Fund balance can not be easily projected because many factors affect its outcome. Certain unemployment can hide and otherwise not be detected even in a good economy with tremendous job growth as was the case in 1999. In late 1998, Texas began to experience a downturn in the oil and gas industry. Thousands of workers were being dislocated in 1999 at a time when the unemployment rate was about 5%. This industry had highly paid workers which resulted in an increase per claim of \$18.00 per week to the average weekly benefit amount being paid. The garment industry was also having a difficult year and began to close down plants throughout the state specifically along the border region. The amount of dislocated workers within both of these industries dramatically increased the amount of claims being paid out for 1999. In addition, the maximum and minimum amounts of benefits paid also

increased (Table 1). By statute, there is a built in escalator that increases the maximum weekly benefit amount by \$7.00 and the minimum weekly benefit amount by \$1.00 for every \$10.00 increase in the average manufacturing wage. Another factor that started to increase the depletion of the UI fund was the expansion of those eligible for unemployment benefits. With this increase, Texas runs a risk of higher costs without having any increase in the unemployment rate. These factors contributed to the situation that resulted in the dangerously low UI Trust Fund balance during 1999. The UI Trust Fund will continue to have many fluctuations within its system, but with the many mechanisms set by statute, the balance should stay within its appropriate range and prevent any type of insolvency.

Table 1 - Historical UI Benefit Payments, 1992 - 2000

| <i>Year</i> | <i>Payments</i> | <i>Benefit Amount</i> | <i>Average Duration**</i> | <i>Maximum WBA</i> | <i>Minimum WBA</i> | <i>Benefit Amount</i> |
|-------------|-----------------|-----------------------|---------------------------|--------------------|--------------------|-----------------------|
| 2000* | \$701,817,735 | \$218.99 | 14.8 | \$294 | \$48 | \$7,644 |
| 1999 | 1,228,991,499 | \$216.01 | 15.87 | \$287 | \$47 | \$7,462 |
| 1998 | 968,325,016 | \$198.78 | 14.42 | \$280 | \$46 | \$7,280 |
| 1997 | 976,704,161 | \$187.31 | 15.11 | \$266 | \$44 | \$6,915 |
| 1996 | 999,170,213 | \$180.24 | 15.82 | \$259 | \$43 | \$6,734 |
| 1995 | 1,012,873,267 | \$177.65 | 15.56 | \$252 | \$42 | \$6,552 |
| 1994 | 1,046,955,310 | \$177.06 | 15.77 | \$245 | \$41 | \$6,370 |
| 1993 | 1,105,428,847 | \$176.83 | 16.13 | \$245 | \$40 | \$6,370 |
| 1992 | 1,181,146,078 | \$169.63 | 16.20 | \$231 | \$38 | \$6,006 |

*2000 includes data from January to August only.

**Average Duration data is a result of DOL calculation.

Duration

Throughout the committee's interim hearings the topic of duration was a very common discussion. Duration refers to the amount of weeks an individual is on unemployment insurance collecting benefits. Since most of the state is benefitting from low unemployment rates, most thought the average duration rate throughout the state, especially in specific areas with almost no unemployment, would be very low, thus decreasing the amount of funds going out of the system. That was not the case. The average duration for 1999 was 15.87 weeks using DOL's formula which takes all the weeks paid divided by all the first payments. This calculation is misleading in that it only considers first payments of claimants receiving benefits. Many claimants do not receive their first payment for different reasons such as being ineligible due to availability to immediately work. However, these claimants in the subsequent weeks may receive benefits after becoming eligible due to change in circumstances. The resulting average duration using the DOL calculation would not reflect the actual average weeks of duration for these claimants as indicated by the following

example.

*Example: Claimant 1 and 2 do not receive first week payments.
Claimant 3 does receive a first week payment.
Claimant 1 becomes eligible in week 2 and receives 5 weeks of benefits.
Claimant 2 gets requalified in week 3 and receives 6 weeks of benefits.
Claimant 3 receives 9 weeks of benefits.*

*Total weeks paid = 5 + 6 + 9 = 20 weeks
Total first weeks paid = 1
Average Weeks of Duration (by DOL standards) = 20 divided by 1 = 20 weeks*

Average Actual Weeks of Duration = 20 divided by 3 = 6.7 weeks

In order to give an accurate account of the duration rate for the state, the TWC looked at the claimants for 1999 and the actual weeks they received benefits. The state's average duration resulted in 14.04 weeks for 1999 with a low of 12.88 weeks and a high of 15.34 weeks (Appendix F). While these numbers decreased by almost 2 weeks from the federal calculation, they were still considered high when comparing it to the unemployment rates throughout the state. Indicating that claimants may not be receiving the assistance needed to obtain another job or that claimants may not be searching for another job as quickly as expected. In either case, it is important that the claimant obtain a financially stable and adequate job that will provide for self sufficiency and prevent refile for UI benefits in the near future. For this reason, many believe that rushing claimants through the system to get a job as quickly as possible would not accomplish anything. For the last five years the duration rate has remained in the 15 week range. The maximum number of weeks a claimant can receive benefits in Texas is 26 weeks and, in 1999, 43% of claimants exhausted all of their eligible benefits. In today's job market where skills must consistently be upgraded specifically in the technological areas, many claimants may need training before being able to obtain new work. This may be adding weeks to the duration in addition to the time spent on interviewing and the selection process for jobs by government and the private sector.

The General Tax

The Texas UI taxing structure is experience based due to the general tax portion of the total Texas UI taxes an employer is required to pay. Employers who have had their accounts charged as a result of benefits paid to a former employee have experience with the system and therefore, will pay the General Tax Rate (GTR) of an experienced employer. The GTR is computed on October 1 of each year to be effective the following calendar year. The rate is determined by multiplying the employer's benefit ratio with the year's replenishment ratio. The benefit ratio is equal to the last three years of chargebacks to the employer's account divided by the last three years of taxable wages the employer paid to employees. These wages are the sum of what the employer pays up to \$9,000 per employee. The general tax is equal to zero if the employer has no chargebacks for the last three years and can not exceed 6%. Therefore, as layoffs decrease for employers so will their Texas UI tax rate.

$$GTR = \text{Benefit Ratio} \times \text{Replenishment Ratio}$$

$$\text{Benefit Ratio} = \frac{\text{last 3 years of chargebacks}}{\text{last 3 years of taxable wages}}$$

An employer is required by statute to pay the Texas unemployment tax rate on the first \$9,000 paid to each employee.

Businesses who employ 10 or fewer workers account for 82.7% of the employers who pay UI taxes (Table 2). 71.3% of these businesses will pay the minimum tax rate of 0.30% in 2000 while experienced employers will pay an average of 0.85% (Table 3).

Table 2 - Profile of Texas Employers

| <i>Number of Employers</i> | <i>Number of Employees</i> | <i>Percent of Employers</i> |
|----------------------------|----------------------------|-----------------------------|
| 271,931 | 5 or fewer | 71.4% |
| 42,918 | 6 to 10 | 11.3% |
| 27,514 | 11 to 20 | 7.2% |
| 29,092 | 21 to 100 | 7.6% |
| 9,312 | 101 or more | 2.4% |

Table 3 - UI Tax Rate Facts

| <i>Year</i> | <i>1997</i> | <i>1998</i> | <i>1999</i> | <i>2000</i> |
|--------------------------------|-------------|-------------|-------------|-------------|
| <i>Minimum Total Tax Rate</i> | .27% | .27% | .24% | .30% |
| <i>Minimum Cost / Employee</i> | \$24.30 | \$24.30 | \$21.60 | \$27.00 |
| <i>Maximum Total Tax Rate</i> | 6.27% | 6.27% | 6.24% | 6.30% |
| <i>Maximum Cost / Employee</i> | \$564.30 | \$564.30 | \$531.60 | \$567.00 |

The Replenishment Tax

Another component of the Texas UI tax is the Replenishment Tax Rate (RTR) which is a flat tax assessed to all experienced employers. Its purpose is to replenish the UI Trust Fund for one half of the benefits paid to eligible workers that are not charged to any specific employer. In 1983, this tax was added in order to recoup these benefits. In these cases, no employer is liable for repayment of these benefits, thus depleting the UI Trust Fund. The Legislature decided the only way to replenish these funds was to have all experienced employers pay for this cost. This is accomplished by collecting half of the loss with the

replenishment ratio through the GTR and collecting the other half through the replenishment tax. The ratio is equal to half of the total amount owed to the fund for these cases. The tax is equal to the ratio divided by the year's total taxable wages.

$$RTR = \frac{\textit{Replenishment Ratio}}{\textit{Year's Total Taxable Wages}}$$

$$\textit{Replenishment Ratio} = \frac{1}{2} \textit{ of benefits paid but not charged to any employer}$$

The Deficit Tax

An employer's tax rate can also include a deficit tax which is set by statute not to exceed 2%. This was established through HB 896 during the 68th Legislature in 1983. The UI Trust Fund balance must be at or above the Floor on October 1 of each year. An additional tax known as the Deficit Tax is levied on employers the following year if the balance falls below the Floor. The last deficit tax assessed to employers was in 1995 and 1994 with a Deficit Ratio (DR) of 0.04% (Appendix E). The Deficit Tax Rate (DTR) is calculated by multiplying the DR with the employer's total UI tax rate from the previous year. The DR is equal to the UI Trust Fund's deficit on October 1 divided by the revenue from the general and replenishment tax from the previous year.

$$DTR = DR \times \textit{Employer's total UI tax rate from previous year}$$

$$DR = \frac{\textit{UI fund Deficit on October 1}}{\textit{Revenue from General and Replenishment Tax from Previous Year}}$$

The Initial Tax Rate

The current initial tax rate was put into statute by the 69th Legislature and made effective January 1, 1986. This rate is assigned to new employers until they become eligible for the experienced general tax rate which occurs as soon as the employer's account is charged with benefits through 1 year. This usually occurs at approximately 18 months after the initial tax rate is assigned. New employers are assessed the initial tax rate of 2.7% as an entry level rate into the state's UI system. An employer can be assigned their Standard Industrial Classification (SIC) Code average tax rate instead if it results in a higher rate than 2.7%.

Smart Jobs Assessment

In 1995, Employers started paying the Smart Jobs Assessment of 0.1% with their annual UI taxes. This assessment is deposited into the Smart Jobs Holding Fund. On September 1 of each year, TWC determines if the UI Trust Fund will have the balance at or above the Floor on October 1. If the projections show the fund balance at or above the Floor, the agency proceeds to transfer the funds as defined by statute. However, if the projections show the balance below the Floor, the agency transfers the amount in the Smart Jobs Holding Fund equal to the amount below the Floor back to the UI Trust Fund

to bring the balance back up to the Floor. Any balance remaining in the Smart Jobs Holding Fund is then transferred as defined by statute. If the amount transferred to the UI fund does not bring the balance up to the Floor, a Deficit Tax, as previously stated, is assessed for the following year.

From 1995 to 1998, all transfers made by TWC to the Smart Jobs Program went from the Smart Jobs Holding fund to the Smart Jobs Fund at the Texas Department of Economic Development (TDED) (Table 4). These transfers totaled \$231.6 million for the 4 year period. In 1999 with the passage of HB 3657, the amount transferred from the Smart Jobs Holding Fund was changed by adding other accounts to receive funds. These transfers were set in statute as follows:

| | |
|--------------------------------------|--------------------------------------|
| <i>For 1999 -</i> | <i>For 2000 -</i> |
| 14% to the Smart Jobs Fund | 50% to the Smart Jobs Fund |
| 65% to the Skills Development Fund | 30% to Skills Development |
| 20% to the Smart Jobs Rainy Day Fund | 20% to the Smart Jobs Rainy Day Fund |

However, with the passage of HB 3054 during the same year, the Skills Development and Smart Jobs Rainy Day Funds were not established.

Table 4 - Transfers from TWC's Smart Jobs Holding Fund to TDED's Smart Jobs Fund

| <i>Date of Transfer</i> | <i>Amount Transferred</i> |
|---------------------------------|--------------------------------|
| <i>September 12, 1995</i> | <i>\$34,755,248.00</i> |
| <i>September 13, 1996</i> | <i>\$61,735,493.00</i> |
| <i>September 12, 1997</i> | <i>\$64,984,810.40</i> |
| <i>September 22, 1998</i> | <i>\$70,198,626.41</i> |
| <i>September 1, 1999</i> | <i>\$0.00</i> |
| <i>September 2000</i> | <i>\$37,900,000.00</i> |
| <i>Total Transferred</i> | <i>\$269,574,177.81</i> |

On October 1, 1999, no transfers from the Smart Jobs Holding Fund to the above funds were tried due to the UI Trust Fund balance falling below the Floor in excess of the \$72.5 million balance in the Smart Jobs Holding Fund (Table 5). Since no funds were available for any type of transfer, the non-existence of the funds was not a problem. On the contrary, the projections on September 1, 2000 showed the UI Trust Fund to be above the Floor. This resulted in a problem for the agency since the transfers had to occur according to statute but the funds were not established. The funds were instead swept into the General Revenue. After much discussion between the agency, the comptroller's office, and the House Appropriations Committee, the funds were secured in General Revenue under specific accounts until the legislature can clarify and rectify the situation during the next legislative session. This was an important

accomplishment since the source of these funds is employer UI tax dollars directed to assist in job training. If the funds are completely given to General Revenue, the dollars could be used for other purposes which was not the legislative intent for the transfer of these funds.

**Table 5 - Transfers from the Smart Jobs Holding Fund to the UI Trust Fund
(to bring the balance above the Floor)**

| <i>Date of Transfer</i> | <i>Amount Transferred</i> |
|--------------------------|---------------------------|
| <i>September 9, 1999</i> | <i>\$72,533,294.73</i> |

Another mechanism in statute involves the balance of the Smart Jobs Funds. If for any three consecutive months the balance in the Smart Jobs Fund or the Smart Jobs Rainy Day Fund exceeds 0.15% of the taxable wages for the four quarters ending the preceding June 30, the executive director of the TDED immediately transfers the excess from the appropriate fund to the UI Trust Fund. During 1999, \$29.6 million was transferred back to the UI Trust Fund as a result of this occurrence (Table 6). The transfer brought the balance above the Floor and prevented a Deficit Tax.

**Table 6 - Transfers from TDED Smart Jobs Fund to the UI Trust Fund
(Smart Jobs Fund in excess for 3 consecutive months)**

| <i>Date of Transfer</i> | <i>Amount Transferred</i> |
|--------------------------|---------------------------|
| <i>November 18, 1999</i> | <i>\$29,614,390.11</i> |
| <i>March 9, 2000</i> | <i>\$63,049,586.77</i> |
| <i>May 25, 2000</i> | <i>\$963,577.65</i> |

Changing the System

A special session was called in 1982 to make amendments to the TUCA when the Texas UI Trust Fund was headed for insolvency. Changes to the system included freezing the fund's Floor and raising the Ceiling to \$500 million for 1983. The taxable wage base was also increased from \$6,000 to \$7,000. In anticipation of having to pay interest on borrowed funds from the Federal UI Trust Fund to pay for Texas UI benefits, an Advanced Interest Trust Fund was established to deposit interest tax funds. In 1983, with the passage of HB 896 by the 68th Legislature, a 0.1% solvency tax (Appendix E) was imposed on all experience rated employers for 2 years which started in 1983's third quarter to bring the fund back to the Floor's range. An interest tax was also assessed to pay for interest on the borrowed funds.

In 1987, the 70th Legislature once again amended TUCA. The escalator, described previously, was frozen for 2 years effective October 1 in 1987 and 1988 in order to reduce the amount of funds being drawn by

UI benefits so that the UI Trust Fund could build its revenues back up. The taxable wage base was increased again to \$8,000 effective January 1, 1988 and to \$9,000 effective January 1, 1989.

During the 76th Legislature, 32 pieces of legislation were introduced that would have altered Texas' UI system in some fashion. Only 3 bills became law which consequently had no negative fiscal impact on the UI Trust Fund. Most of the bills that did not pass during the legislative session would have negatively impacted the UI Trust Fund in the range of \$3 million to \$80 million. Despite the few number of UI bills passed, many still believe changes to the system must be made in order to address concerns by employers and employees especially in today's changing economy. Of the changes receiving attention, three have been discussed extensively throughout the last few years.

Unemployment Tax Rate Paid By New Businesses

Since new businesses in Texas have no history in the state's UI system for calculating an experience tax rate, they are all required to pay a 2.7% initial tax rate for approximately 18 months. Lowering this rate was proposed during the last Legislation Session. While many agree that the rate may be too high for some businesses, particularly small businesses, a lower rate would mean a sizeable negative impact on the UI Trust Fund balance as noted in the following table. The lowest rate that the state can impose in order to stay in conformity with federal law is 1.0%. However, with the Smart Jobs Assessment of 0.1%, the lowest rate that can be considered for new Texas businesses is 1.1%.

Proposed Initial Tax Rate & Resulting Impacts

| <i>Initial Tax Rate</i> | <i>UI Trust Fund Impact</i> | <i>Cost to Experience-Rated Employers</i> |
|-------------------------|-----------------------------|-------------------------------------------|
| <i>1.1 %</i> | <i>- \$70,801,501</i> | <i>average tax rate increase of 0.09%</i> |
| <i>1.6%</i> | <i>- \$48,676,032</i> | <i>average tax rate increase of 0.06%</i> |
| <i>2.1%</i> | <i>- \$26,550,583</i> | <i>average tax rate increase of 0.03%</i> |
| <i>2.6%</i> | <i>- \$4,867,603</i> | <i>average tax rate increase of 0.01%</i> |

As of September 1, 2000, the amount above the UI Trust Fund was equal to \$35.7 million. If the rate were lowered to 1.1% or 1.6%, it would have resulted in no transfer to the Smart Jobs Fund. In addition, with the increase of new businesses coming to Texas, the negative impact may be much greater. Therefore, if the initial tax rate were lowered, the impact would more than likely have to be offset by assessing a higher tax rate on experience-rated employers. While the impact is not as large when lowering the rate to 2.6% or 2.1%, there is still much risk in having the fund go below the Floor to a point where a deficit tax would have to be assessed on all Texas employers. That is a situation everyone in the legislature would like to avoid. All agree that a deficit tax would be much more of a burden on Texas employers, new and old, than the current tax rates.

Many argue that the impact of such a high initial tax rate may be decreasing the success rate for new

businesses since most are small and employ very few. However, such data is difficult to assess. According to TWC, there were 57,398 new businesses established in Texas between 1998 and June 30, 1999. Of these businesses, 20% or 11,857 had failed by the end of this period. Since the Texas UI taxes account for 0.04% of an employer's expense for their employee's total compensation according to the Bureau of Labor Statistics' data, it would be difficult to conclude the initial tax rate caused these failures. Most businesses attribute failure to many factors and not the UI tax rate alone.

Another argument states that Texas may be losing potential new businesses due to this high initial tax rate. Since relocation of businesses to the state usually involves tax issues, many believe the current initial tax rate is hindering the state to lure new business. Data supporting this theory was not available. However, Texas is currently in an economic boom with business growth at an all time high. This growth includes expansion of existing businesses as well as the establishment of new businesses in Texas. Therefore, the theory that the current initial tax rate is making businesses go to other states is difficult to prove.

Changing the Taxable Wage Base

The taxable wage base has been another issue many have been considering. For Texas UI purposes, the wages to be taxed by each employer are determined by this base which has gradually increased from the 1936 base of total wages paid to the current base of the first \$9,000 paid set in statute in 1989 (Table 7). It has been suggested that an increase of \$3000 in the taxable wage base could provide for an increase in the UI Trust Fund that would keep the system safe and away from the Floor. By having a gradual increase of the wage base over three years, the UI tax increase can be gradually introduced to employers. The increased wage base is estimated by TWC to provide an additional \$600 million to the UI Trust Fund in the first 3 years. Unfortunately, this would only be a temporary relief. Since the Floor is defined by using the total taxable wages paid by all employers as a multiplier, the Floor will eventually increase as well. According to estimations by TWC, at the end of the three years the Floor would equal approximately \$970 million and the balance of the fund would reach its peak of \$1.4 billion. The balance would then decline as a result of the decrease in the Replenishment Tax Rate which is calculated by using the total taxable wages as its denominator. Therefore, increasing the taxable wage base would only be a short term solution. Eventually, the issue of having the UI Trust Fund very close to the Floor would return. In order to have a positive long term effect on the UI Trust Fund with an increase in the taxable wage base, other factors that are affected by the taxable wages would also have to be addressed and adjusted accordingly as other states have done (Appendix G).

Table 7 - Texas UI Taxable Wage Base History

| | | | | | | |
|-----------------------|---------|---------|---------|---------|---------|---------|
| <i>Year Amended</i> | 1941 | 1971 | 1977 | 1983 | 1987 | 1987 |
| <i>Effective Date</i> | 10-2-41 | 1-1-72 | 1-1-78 | 1-1-84 | 1-1-88 | 1-1-89 |
| <i>Wage Base</i> | \$3,000 | \$4,200 | \$6,000 | \$7,000 | \$8,000 | \$9,000 |

Alternative Base Period For Determining Unemployment Benefits

Currently, benefits are determined by a worker's wages during the first four of the last five completed calendar quarters prior to the quarter in which their claim is filed. An alternative base period (ABP) could have benefits determined by the last four completed calendar quarters. This type of base period allows for more eligibility since the most recent wage period is considered. Most individuals that would benefit from using the most recent wages are low wage workers and those who recently entered the workforce. However, this would also result in a negative impact to the UI Trust Fund of approximately \$24 million with a 4.8% unemployment rate or \$47 million with a 7.7% unemployment rate due to the increase of claimants eligible. This would in turn increase tax rates to employers due to an increase in chargebacks. Additionally, many of these eligible claimants would fall into the category of no chargeback to any specific employer resulting in an increase of the replenishment tax.

The agency's fiscal and staff impact must also be considered. An alternative base period would require the most recent wage records from employers, thus requiring the appropriate technology to accelerate the access to this information. According to TWC calculations, the agency would have an estimated administrative cost of \$156,174 with a 4.8% unemployment rate or \$306,836 with a 7.7% unemployment rate and a staff increase of 2 to 4, accordingly. Administrative costs as stated previously are funded through the FUTA. In 1998, Texas received 34 cents out of every dollar that was paid to the federal government by its employers (Appendix H). Compared to other states, Texas has consistently received lower returns in the last two decades (Appendix I). These funds are allocated by the DOL to the states using complex formulas. The formula is based on workload which includes the number of claims processed, number of employer tax accounts administered, average cost per staff, and amount of staff time required to process each workload item. Because this formula has not been updated since the early 1980's, the decrease in staff and processing time due to technological advancements is not considered, and therefore, penalizes Texas for having an efficient administrative system.

Current Status of the UI Trust Fund and Its Future

On October 1, 2000, the UI Trust Fund balance was \$804.9 million and above the Floor due to a decrease in total initial claims and benefit payments compared to 1999 (Appendix J). Because the fund was \$35.6 million above the Floor, full transfer of the \$75.8 million in the Smart Jobs Holding Fund was allowed to occur resulting in a \$37.9 million transfer to the Smart Jobs Fund at TDED with the remaining going to GR dedicated as funds for job training programs to be determined during the next legislative session. Also, as a result of this fund balance, no deficit tax will be added to Texas employer's 2001 UI taxes.

The federal government is replacing the SIC codes with the new NAICS (North American Industrial Classification System) codes and will begin implementing them on May 2001. These codes are used by TWC for determining the manufacturing wages for particular industries. The new codes will be in a completely different format. As a result, the maximum and minimum benefit amounts currently used by the Texas UI system may be affected since the escalator that causes these values to increase does so with an increase in the manufacturing wage. TWC is currently reviewing the wages from the last few years to

determine if any problems may arise from these changes.

The Texas UI system has been designed by the legislature to be very efficient which causes it to run close to the Floor. If any changes to the system are introduced, the impact to the UI Trust Fund balance must be considered. The UI system must be adjusted when any change is implemented on its components. Many states offer different remedies to the problems that arise from their UI systems and have addressed them in various combinations. There is no ideal system in the U.S. However, by comparing systems in other states (Appendix J), Texas can see various components within different systems and discover how they are affecting that state.

Recommendations

1. The Legislature should consider the effects the replacement of the SIC codes will have on the UI system and the preventive measures that can be taken such as changing the average manufacturing wage to the average weekly wage or some other measure. Initially, the manufacturing wage was used since it was a higher wage. However, with the changing economy and job market, the average weekly wage has surpassed the manufacturing wage in recent years. Any potential problems can be prevented by using this wage or another measure that does not depend on the SIC codes. These issues must be addressed prior to the Fall of 2003 in order to prevent any negative effects to the UI system from occurring.
2. The Legislature should consider averaging the UI Trust Fund balance for the year instead of having it determined by one day. Calculations by TWC have shown averaging the four quarter Trust Fund balances for the year to determine the transfers and the tax rate would produce a smaller but more stable fund balance.
3. In order to continue to have funds set aside for job training programs, the Legislature should extend the Smart Jobs Assessment which currently has an expiration date of December 31, 2001.
4. The Legislature should consider working together on a resolution to send to the U.S. Congress on the FUTA returns Texas is receiving. These funds must be increased in order to increase the state's resources in assisting unemployed individuals with job training and employment services.

SUBCOMMITTEE ON CHARGE #3

Committee Work

The House Committee on Economic Development met to discuss this charge on June 15, 2000 in San Benito, Texas. In a joint hearing, the Subcommittee on Charge #3 and the Public Education Subcommittee on Charge #3 met to discuss their similar charges on July 6, 2000 in Austin, Texas.

Background

The committee was charged to:

review current programs and examine other options for preparing students who do not seek advanced degrees for jobs in today's economy.

While more students are deciding to get postsecondary education, not all choose to follow the traditional path of first obtaining a bachelor's degree. According to the U.S. Department of Commerce, Bureau of the Census, 82 out of every 100 students in the U.S. will not go on to receive a bachelor's degree.⁸ Some students simply do not have the resources and assistance to accomplish this task due to a combination of factors such as financial or family hardships. Fortunately, this does not reflect the interest most students have in pursuing a higher education. Instead, many students are making decisions to attend community and technical colleges in order to continue the learning process and to further develop their skills.

The 76th Legislature passed HB 2401 in 1999 which acknowledged a voluntary relationship between students and businesses by codifying apprenticeship and internship programs, and established the voluntary workforce training program through the Texas Education Agency (TEA) and the Texas Workforce Commission (TWC). This provided an additional avenue in preparing students for employment particularly those who choose for a particular reason not to seek a traditional bachelor's degree.

Jobs today are becoming more technology driven and require more skills. In 1998, 56 out of every 1,000 private sector workers in Texas were employed by high-technology firms with the average wage at \$60,265 compared to the remaining private sector average wage of \$32,090.⁹ High Technology industries are projected to add 101,000 jobs to the Texas economy over the next 5 years.¹⁰ This will create a tremendous challenge for Texas' workforce if not addressed immediately. Employers are looking for individuals with higher skills and the ability to continuously upgrade those skills with the changing job markets. The emphasis has shifted from manufacturing jobs requiring employees with physical abilities to the current need for employees with adaptable skills and learning abilities.

In the next decade, various business services will account for a large portion of the job growth with a broad array of skills and wages. Still, most of the higher paying jobs will require a level of higher education. According to the TWC, out of every 10 jobs created today in the state's economy, 3 require college

degrees. Additionally, over three-fifths of these jobs require short-term training, experience specific to the particular job, and are largely in technical fields such as engineering, computers and software. Therefore, continuous training and teaching must be a part of the learning process for the state's citizens. Nationally, businesses realize this need and have responded by increasing the amount of corporate "universities" from 400 in 1980 to the current number of 1600.¹¹ This process is accomplished in a variety of ways, but projections show most of the learning process in the coming decade will be achieved with the use of the Internet, company Intranet, satellite transmission, video conferencing, or CD-ROMs. In 1999, a Coopers and Lybrand study found that 69% of employers reported shortages of skilled workers, versus 27% in 1993. There is no quick, easy solution to address the lack of skilled workers current employers are encountering. By developing the workforce policies and educational system required, Texas can begin to confront this problem. The best solution to this crisis is to have a strong focus on the study of math and science beginning in the elementary grades through higher education. These skills must be gained over time to become a part of the learning process and to enable workers with the ability of adapting their skills to meet the changing demands of the economy.

As the Texas economy continues to grow and expand in various industries, focus must be directed to develop a more skilled, educated, and productive workforce that will allow the state to compete on a national and international level. The top economic development priority in Texas is workforce development and education which is key to keeping the state in a knowledge-based economy to ensure global competitiveness across its regions. In order to reach this goal, Texas must strengthen its skill-based job training programs by being innovative and creative. The state can begin by offering students more options to be able to develop their technical and academic skills. Funding can also be increased to allow for the expansion of current programs assisting students with scientific and technical careers. Texas communities must strive to produce graduates with the skills and knowledge to succeed in today's increasing technological world, to acquaint students with the careers and opportunities available, and to educate students to apply the skills they learn in the classroom to the actual workplace. These creative and innovative approaches for maximizing prosperity for all of Texas' citizens are needed to make the state's economic development priority a success.

Current Programs and Options Offered

The Texas workforce is a strong component of the state's economic development. For this reason, it is important to realize that today's prosperous Texas economy will continue to rely on a highly skilled workforce. Texas has been offering a variety of programs with activities such as Tech Prep, career preparation, and apprenticeships to assist in developing students' skills and preparing them for the workforce. The results of several studies have indicated that workers improve their skills more easily and earn higher wages as a result of participation in such activities. These studies have also shown participants in these programs have positive attitudes, receive better grades, stay in school, and go directly to college. Participation in these activities by employers and students are extremely beneficial. Employers benefit when hiring participants after they graduate by reducing employee recruitment, training costs, and turnover rates. Students benefit by attaining skills that allow them to obtain worthwhile employment encouraging them to

continue with their higher education which they may have otherwise decided not to pursue.

It is imperative that state economic, business, and education leaders continue to use and build on these initiatives as a tool for our students to achieve academic success and be better prepared to embark on new careers. The Texas economy will have a positive impact from such activity, and as a result, the Texas workforce will become highly skilled allowing the state to be more competitive in a global economy.

Texas State Occupational Information Coordinating Committee (SOICC)

The Texas SOICC is federally mandated as part of a network comprised of the state and national, NOICC, organizations. Our state organization consists of the TWC, Texas Department of Economic Development (TDED), Texas Higher Education Coordinating Board (THECB), TEA, and the Texas Rehabilitation Commission (TRC). Through the Texas Legislature, the SOICC is administered by the TWC and directed to collaborate with the Texas Council on Workforce and Economic Competitiveness (TCWEC). The federal mandate directs NOICC to:

- support the uniformity of labor market data products, coding systems and related information;
- encourage coordination in the production and use of labor market, occupational and career information among education and training entities; and
- promote the development and dissemination of new and existing data to enhance program planning and job seeker effectiveness.¹²

In Texas, the SOICC is responsible for implementing these directives, assisting agencies with data needs, oversight of the state's labor market information system, and providing labor market career information, software, services and publications. Many studies and data reviewing the labor market and program analysis used by agencies, legislative committees, and legislators are a result of the work conducted by SOICC. The legislature and various entities throughout the state continue to use the collaborative efforts by SOICC in analyzing the state's progress in today's economic and labor markets.

The Texas Engineering Extension Service (TEEX)

The TEEX is a provider of workforce training and recognized nationally as providing innovative, customized effective training. It is a member of the Texas A&M University System and is based in College Station with offices and centers located across the state. By focusing on the needs of those requesting its service, TEEX is able to offer specific training in technical, vocational, or manufacturing assistance. Every year, this service assists workers by upgrading their skills, providing professional certification programs, or increasing their knowledge concerning new technological advancements.

According to the Bureau of Labor Statistics, the majority of new jobs will require some form of post secondary education or training by 2010, and 80% of the new workforce will consist of women and minorities. A new approach to career preparation must be implemented through education. Partnerships must be established between educators and businesses in order to provide an education structured to allow

for the upgrading of skills throughout an individual's career.

A cooperative effort has been built by the TEEEX with various organizations that include THECB, TEA, State Board for Educator Certification (SBEC), Educator associations, and SkillsUSA-VICA. Additional efforts have also been made to coordinate and sponsor youth leadership programs and career days throughout the state.

TEEX currently has the infrastructure to facilitate partnerships by providing schools with work relevant curriculum materials and resources, "state-of-the-art" occupational skill training for teachers, consistent relationships between schools and businesses statewide, and supplemental career training for educational system dropouts.¹³

School-to-Careers

The Texas Workforce Commission, on March 1, 1997, received a five-year \$61 million federal grant under the School-to-Work Opportunities Act of 1994.¹⁴ In Texas, many activities are conducted under this act as a School-to-Careers (STC) Initiative. The state has STC managed by a group of staff which includes individuals from TWC, TEA, TCWEC, TDED, THECB, TRC, SBEC, Texas Commission for the Blind, and the Governor's Office with TWC managing the federal grant on a daily basis. This act helps students who participate in these initiatives to prepare for careers that will lead to prosperous futures. Students in high school are given career information and the opportunity to increase their academic and technical skills that will assist them in proceeding to college. All activities are on a voluntary basis for school districts and students and require parental consent for participation. Furthermore, the act does not have eligibility requirements, instead it encourages these services and activities to be provided to any interested student.

Workers who have participated in STC activities have been found to earn higher wages upon entering the workforce which result in a positive effect on the state's economy. Additionally, a region's economy benefits from wages paid to students participating in other related activities such as summer jobs and paid internships which are often supported by the private sector and assisted by a region's partnership organization, such as Tech-Prep. This partnership can further assist by supplying information to participating students concerning career paths, resume writing, and interviewing skills.

Texas is currently midway through the federal grant received for these initiatives in 1997. There has been much discussion on how the state could prepare to continue with the progress it has made through these initiatives when the grant ends. The state must address these concerns and develop a plan that could assist in a positive transition. The TWC is primarily responsible for STC funds under HB 1863 which designated the creation of the commission. Under contracts with the TWC, implementation of funded activities are managed by 27 regional STC partnerships. The funds can be used by regional STC organizations such as a school district to develop a career information center, a partnership to provide professional development training on relevant workforce education topics to teachers, counselors, and employers, or to initiate new activities like student or teacher job shadowing, industry tours, or curriculum revisions based on employer

input. In FY 01, according to the TWC, the STC initiative will have a grant total of \$12.76 million which includes \$3.1 million in new supplemental funds. These funds will be used to increase the number of College Board Pre-Advanced Placement and Advanced Placement programs in math and science by a minimum of 5%. Use of these funds would permit the initiative to meet and possibly exceed its measures while at the same time increasing the voluntary participation in these activities.

Tech-Prep

A Tech-Prep program offers another enticing option for students to achieve academic and technical skills needed by the state's employers. Its educational philosophy acknowledges the value in significant career development through continuous academic and technical education. Designed as a career and technology education initiative with innovative delivery systems, the program promotes quality educational programs to ensure a skilled and educated workforce. In Texas, there are presently 25 Tech-Prep consortia that receive approximately \$8 million a year in federal funds.

The state has set goals to continue building its Tech-Prep system towards success. These goals include:

- enlisting the full support of Texas high schools and public 2 year associate degree-granting institutions in developing, supporting, and improving relevant 2 year postsecondary Tech-Prep programs;
- increasing the number of high school students who enroll, persist, and graduate from 2 year postsecondary Tech-prep programs and are placed in relevant jobs or go on to additional education; and
- evaluating and documenting the effectiveness of Tech-Prep activities.¹⁵

An analysis conducted by ImpactDataSource and TEEEX reviewed the earnings of 1997-1998 graduates from public community and technical colleges. Results showed each graduate who participated in the Tech-Prep program earned significantly more in annual salaries than individuals not participating in the program. Fortunately, the economy benefits from these graduates by having them possess more purchasing power resulting in additional production and jobs for businesses. Estimates by the Texas Taxpayers and Research Foundation show state and local governments could benefit greatly by collecting an approximate \$28.6 million over the next 10 years as a result of the increase in purchases by these graduates.¹⁶ The economic benefits for Texas from this program are evident and will continue to show prosperity for the state and its participants with the number of students entering the program increasing each year.

Texas Education Agency (TEA)

The TEA is held accountable for establishing excellence in the Texas public education system in order to provide students the ability to achieve. The agency's primary responsibilities include the state's education assessment and accountability system, support for all public and charter schools, student access to adequate resources and educational programs, and equitable access to instructional materials and technologies supporting the foundation and enrichment curriculum.¹⁷

In 1987, the High Schools that Work program was established by the Southern Regional Education Board (SREB)-State Vocational Education Consortium, a partnership of states, school systems, and school sites. This national program is a growing effort with 20 pilot sites in Texas. The program is structured to increase student's achievement in academics and technical subjects by combining academic and vocational studies with an established school environment encouraging attempts to succeed. Participating schools are assisted in implementing this program with 10 key practices for integrating these studies and 5 key practices for accelerating student achievement in a variety of subjects.

Career and Technology programs focus on the needs required by employers in today's workforce. Learning methods are applied in a manner that provide students with a true understanding of the relationship between academic skills, concepts, and tasks required by industry. These programs include many components for K to 12th grades with applied academics being integral in their process. By shifting methods of instruction accordingly, career education which includes awareness, exploration, investigation, crystallization, and realization is gradually encountered by students as they proceed through each grade level. Dedicated programs realize providing students with the environment to acquire the necessary skills and knowledge to become a productive member of the workforce is key to their success.

The Texas Skill Standards Board (TSSB)

Under HB 1863 in 1995, TSSB was created in the workforce system as an advisory board to the Governor and the Legislature. The board is comprised of 10 members which represent business, labor, secondary education, and postsecondary education. TSSB directs the development of a voluntary system of skill standards which are defined and recognized by industry.

During the 76th Legislature, HB 3431 was passed which amended the board's mandates to:

- validate and recognize nationally-established skill standards to guide curriculum development, training, assessment and certification of workforce skills;
- convene industry groups to develop skill standards and certification procedures for industries and occupations in which standards have not been established or adopted and recognize the skill standards and certification procedures;
- review standards developed by other states and nations and enter into agreements for mutual recognition of standards and credentials to enhance portability of skills; and
- promote the use of standards and credentials among employers.¹⁸

Skill standards simply specify what an individual is required to know and demonstrate for a particular type of job. They are a tool to assist businesses and training providers in communicating the meaning of a particular skill. These standards are also aimed at providing an essential tool to many workers across the state who acquire certificates or associate degrees. With these standards, employers will know the abilities and knowledge of an individual possessing a particular certificate or degree. By building skills around occupational clusters, statewide application can be developed through education and training to meet the needs of employers. Consequently, this process also allows individuals easy transfer to other programs using the standards across the state. With employees in today's job market changing employment often,

the skills and knowledge received from this training can be an individual's greatest asset in obtaining and retaining employment.

Currently, the TSSB recognizes 8 skill standards and has another 4 being developed. In addition, the board is working with the National Skill Standards Board and other national organizations in order to efficiently identify and develop other standards that would assist the state with its current employer and workforce needs.

The board is also working on an outreach project involving the Community and Technical College system. The project's purpose is to create awareness among the system about the board and its skill standards as well as developing a process of incorporating the skill standards into programs and courses recognized in the Workforce Education Course Manual (WECM). The manual was created as a result of the THECB's recommendation. Its purpose is to bring cohesion to workforce training courses through the Community and Technical College system. The manual therefore assures community colleges, technical colleges, and businesses of the educational training students have received after completing a particular course.

The role of the TSSB is to facilitate and promote a statewide voluntary system of industry developed skill standards. Creating this system requires much collaboration among employers, educators, training providers, and workers. As a result, the board also serves as a quality assurance agent by establishing criteria for validation and as a liaison between educators and industry groups in developing skill standards and their procedures. The purpose of these standards is to enhance workforce skills through industry in order to be competitive in a global economy. Therefore, skill standards are the tool that will assist the state in achieving the match of employer need to program outcome.¹⁹

Recommendations

Workforce development is the most significant economic development issue facing our state today. A highly skilled workforce will strengthen and continue the state's current economic growth. Throughout our interim hearings, many employers expressed the difficulties they are facing in recruiting individuals with the skills needed for the increasing number of available high-skilled jobs. In the current economy, businesses are requiring students to be original, critical thinkers and possess the ability to solve problems and make decisions in addition to math, science, reading and writing skills. As a result, the committee recommends:

- < to increase the awareness of career and technology programs such as those provided through Tech-Prep, Career and Technology, and School-to-Careers initiatives among students, parents, teachers, and counselors. It was evident during our hearings that many programs are available to students throughout the state but are not receiving the awareness and promotion they should;
- < granting TWC the authority to develop a stronger career and technology program for participants of Welfare to Work;
- < exploring the possibility of specifying a portion of Skills Development Fund grants for use in rural

-
- areas;
 - < exploring the use of Skills Development training funds for community colleges to increase career and technology training; and
 - < reviewing the Texas Skill Standards Board's role and determine how the board can play a larger role in ensuring certain skill standards are met as students go through their education in school-to-careers programs.

The Committee also found businesses that participate in School-to-Careers initiatives find it difficult to learn what incentives are available to them for participating in such programs. Of course, businesses have the immediate benefit of receiving student employees who are in the process of being trained for a particular field and are familiar with their work surroundings. However, it is difficult at times for businesses to determine which agencies are involved with which programs. The committee therefore recommends:

- < one agency be legislatively approved as the linking agent between business/industry and educational entities. The main tasks assigned this agency will be to develop cooperative secondary school infrastructure worker preparation programs and inform business/industry of all available incentives for participating in such programs;
- < further study of how the state can entice new development in rural areas for programs such as School-to-Careers and Tech Prep in rural areas;
- < that Local Workforce Boards be composed of at least one member of a School-to-Careers board member from the area, serve on the board, or advise the board on such issue; and
- < that Local workforce boards be given incentives for having successful career and technology programs in their area.

**SUBCOMMITTEE ON SMART JOBS - OVERSIGHT ON
TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT**

Committee Work

The House Committee on Economic Development first met to discuss this charge on March 21, 2000 in Austin, Texas. During this meeting, Smart Jobs was assigned a subcommittee which later met on June 8, 2000 in Austin, Texas.

Background

The committee was charged to:

conduct active oversight of the agencies under the committee's jurisdiction.

The Texas Department of Economic Development is one of the agencies under the committee's jurisdiction.

The Texas Department of Economic Development (TDED) is the agency responsible for the administration and operation of the Smart Jobs Program. The agency is currently undergoing the Sunset review process which will be finalized during the next legislative session. The subcommittee has reviewed the audit reports published by the State Auditor's Office (SAO) as well as the Sunset Advisory Commission's staff report and decisions regarding the program. Furthermore, the subcommittee has evaluated the agency's efforts to implement the program's corrective action plan addressing the recommendations made in the SAO report.

With the passage of HB 3657 last session, many factors of the Smart Jobs Program were changed. However, due to internal problems at the agency disclosed by the SAO report, the House Appropriations and Senate Finance leadership decided to freeze the program's funds. The Smart Jobs Program has not been operational this year, and therefore, the effects of any legislative changes could not be reviewed.

Recommendations

The subcommittee does not have any recommendations at this time since the agency is in the midst of the Sunset review process. The TDED and its programs are to be reviewed by the full committee during the next legislative session when the Sunset Advisory Commission's recommendations will be considered.

**SUBCOMMITTEE ON SPACEPORT - OVERSIGHT ON
TEXAS AEROSPACE COMMISSION**

Committee Work:

The House Committee on Economic Development met on May 11, 2000 in Austin, Texas to discuss charge #4 and assign a subcommittee for Spaceport. The subcommittee later met on October 24, 2000 in Austin, Texas.

Background:

The committee was charged to:

conduct active oversight of the agencies under the committee's jurisdiction.

The Texas Aerospace Commission is one of the agencies under the committee's jurisdiction.

In 1988, the Texas Space Commission was created through HB 1511 by the 70th legislature and was reconstituted by the 72nd Legislature in 1991. The commission's name was changed to the Texas Aerospace Commission (TAC) in 1993 in order to have the agency represent both the aviation and space industries. The agency has a governing board comprised of nine members appointed by the Governor for six-year terms. These board members have backgrounds representing aerospace engineering and research, marketing, economic development, banking and investment, communications, law, management, health, and education.

TAC started with an office near the NASA Johnson Space Center (JSC) in Houston with administrative support provided by contract from 1991-1993. This involved a \$20,000 legislative appropriation for the biennium and a \$100,000 interagency contract with the Texas Department of Commerce. From 1994 to 1995, the agency was not appropriated any funds by the legislature, yet, it was able to continue its outreach to the aerospace community through collaborative efforts between TAC Commissioners and JSC. For its next biennium, 1996-1997, TAC was appropriated with \$400,000 by the 74th Legislature. In 1996, the first executive director for the commission was hired and agency offices were established in Austin at the Capitol Complex.

Funds for the agency's operations come from appropriated funds for economic development in accordance with the General Appropriations Act, revenues from the sales of a special motor vehicle state license plate, and grants and donations from private and public sources. The agency works closely with regional and local economic development organizations in providing support to their projects. TAC also serves as the primary working point of contact for space and aviation economic development activities.

The Texas Aerospace Commission's Mission is:

“to serve the citizens of Texas by bolstering the state's economy through development of economic

opportunities in the fields of space and aviation. The Commission is dedicated to the retention and growth of aerospace industries throughout the state of Texas by fostering close working relationships at the decision-making levels of industry, government, and academia to positively affect decisions regarding Texas.”²⁰

TAC’s vision is to establish Texas as the number one state in aerospace by building on existing aerospace capabilities, establishing aerospace as a high priority industry in Texas, becoming a world leader in the space launch market, providing the best incentives for the industry to locate to Texas, and identifying and seizing new aerospace business opportunities.

Spaceport

In 1999, the 76th Legislature passed SB 1092 which authorized the establishment of a corporation for the pursuit of a spaceport in Texas. The legislation set forth the guidelines for a board of directors of a corporation, and granted to the corporation the power of eminent domain and the right to issue bonds. It also authorized a board of directors to develop a plan for higher education courses and degree programs related to the purpose of the bill to be offered at or near a spaceport.

Access to space is a critical factor in the U.S. commercial, military, and intelligence endeavors. The commercial launch market revenue for the U.S. has decreased from 80% to less than 50%; yet, the commercial space industry is growing by 15% to 20% each year with an estimated 1700 satellites to be launched in the next 10 years.²¹ Currently, hundreds of commercial satellites are being used for business data transfer, voice communications, delivery of TV and radio programming, navigation, crop and pasture management, surveying and mapping, meteorology, remote sensing, and resource exploration. The U.S. only launches 26% of the world’s satellites but produces 70% of them (Appendix L). Other countries competing for commercial launch business include China, Russia, Japan, and the European Space Agency. Around the world, satellite users and governments are looking to reduce launch costs by using Reusable Launch Vehicles (RLVs), which would serve as a space airplane allowing several launches with one vehicle instead of the current use of one launch per vehicle. With RLVs, the demand for launch services will increase dramatically worldwide. Today, a significant backlog of launch payloads exists and improvements in safety, reliability, cost, and availability are very much needed. The commercial launch industry needs spaceports that will operate efficiently. The current goal is to reduce the launch cost from \$10,000 to \$1,000 per pound. This will require substantial investments and support by the government and private sectors. Since 1994, Wall Street and private investors have provided more than \$15 billion to commercial space ventures.

Texas is currently being promoted by TAC as having the ability to be the 21st century’s center for commercial space transportation. This involves the new generation of private spacecraft, RLVs, that will put satellites and possibly humans into orbit. The RLV’s could complement the Space Shuttle program and assist with the shuttle phase out which is due to occur about 2012. Current space transportation development activities include enhancing old ballistic missile and 1960’s technologies, upgrading the Space

Shuttle and commercial Evolved Expendable Launch Vehicles (EELV's), and creating NASA 2nd and 3rd generation launch system technology programs. The U.S. is currently years ahead due to attaining technology development of RLV's which are not ready in foreign countries. Texas is one of several states competing for a spaceport which would be the site for launching RLV's and company operations. The spaceport design includes a launch pad, runway for landings, and a payload handling building.

A spaceport would be an influence for education, workforce, business, tourism, and the diversification of the state's economy. It would provide increasing interest in math, science, and engineering for students at all levels throughout the state. Since the spaceport would include the assembly and maintenance of the launch vehicles, the workforce created would be one of high paying, permanent jobs. As a result, this would include expansion of training facilities and skills in aircraft maintenance and overhaul, industrial safety and security, environmental service, and manufacturing. The economic impact also includes construction jobs for the region and spinoffs to other industries such as medical, biotech, and petrochemical. In fact, a recent economic impact report by the University of Houston in Clear Lake for the Gulf Coast Regional Spaceport in Brazoria County estimated the spaceport could create over 2,700 jobs and bring \$100 million to the region within its first year. By the fourth year, the report estimates the spaceport could create over 7,000 jobs and bring \$300 million to the region. With the spaceport, Texas will have the opportunity to promote tourism for the site's region as well as the ability to provide air, water, land, and space transportation.

Texas Sites Being Considered

Many factors must be considered when selecting a spaceport site. These include ability to launch safely to all orbits from east to south of the site also known as azimuth capability, 8,000 acres with a 3-mile buffer (ideal in rural areas), moderate climate conditions and stable geology, clear landing approaches, limited competition for air space, good infrastructure with road and rail access, utilities, and an available workforce.

The current sites under consideration in Texas include Fort Stockton in Pecos County, Brazoria County, and Kenedy County in South Texas (Appendix M). Two companies considering the Texas sites are Space Access and Kistler. Space Access is interested in the Brazoria and Kenedy County sites while Kistler is interested in the Fort Stockton site. The criteria for the launching of each company's RLVs is the factor determining the sites of interest. Space Access, however, is very committed to building and operating their RLV in Texas. Whereas, Kistler is still considering other states as well.

Since May 2000, the South Texas Spaceport Consortium (STSC) and the Gulf Coast Regional Spaceport Development Corporation were formed. Both organizations are comprised of representatives from their regional counties and communities. The efforts by these organizations include a regional and statewide collaboration among the sites being considered in Texas. The Gulf Coast Regional Spaceport in Brazoria County plans to license a regional spaceport/airport site by 2002. Currently, the primary goal for these groups is to have Texas selected as the home for the spaceport.

Preliminary research and analysis has been conducted for all three sites. The analysis shows Fort Stockton to be a good site due to its dry weather, excellent soil structure, minimal overflight issues, and unlimited growth potential as well as an elevation of 3000' which is an added bonus. The Brazoria County site is approximately 8 miles west of Freeport near the Gulf of Mexico. This site is being considered as a result of its excellent flatness, easy access, strong local industry, a growing community, nearby industrial complex, and no overflight issues. The third site under consideration is located in Kenedy County 60 miles south of Corpus Christi by Sarita, Texas. This area has a good climate, excellent topography, remoteness near the coast, no restrictions to launch, and unlimited growth potential. Further, studies will be performed prior to making the final selection for the spaceport site.

Competition From Other States

Competition for the Spaceport is very strong among several states. Many are years ahead on facilitating this process and have dedicated many funds to the effort. The following is a listing provided by TAC of the competing states regarding their activities and efforts in attracting a spaceport to their region.

Alabama is currently determining funding.

Alaska appropriated \$5 million for FY 99, \$6 million for FY 00, and \$9.5 million for FY 01 to aerospace. The state currently operates a commercial launch facility, the Kodiak Launch Complex, which receives all of the budget items for aerospace.

Arizona's 1998 appropriated funds included \$500,000 for FY 99 and \$700,000 for FY 00 in addition to tax incentives for spaceport launch construction. These funds are to be used by the Arizona Department of Education for the development of two space flight learning centers in the state for students in grades K through 12th.

The California Space and Technology Alliance reported federal and state aerospace funds to include approximately \$23 million for FY 99 and \$31 million for FY 00. Comprehensive funding is provided by California for aerospace development, operation, recruitment and academic initiatives. Recently, the U.S. Congress appropriated \$8.5 million to assess California's space infrastructure, specifically Vandenberg and Edwards Air Force Base. California developed an extensive strategic plan for space in 1998 to help ensure its U.S. dominance of aerospace which can be reviewed on their website at www.csta.net/plan.html.

The Florida Legislature in 1999 appropriated \$17 million for aerospace programs which included a \$720,000 operation budget for the Spaceport Florida Authority, \$1.12 million to a hanger expansion at the Kennedy Space Center for RLVs, \$560,000 for recruiting RLV companies to Florida, \$1.5 million for establishing a Commercial Space Financing Corporation, and tax benefits for spaceport facilities. In addition, funds used for aerospace education initiatives are generated by the Florida Challenger License Plate Program which total \$600,000 annually.

In 1999, Montana appropriated \$300,000 for FY 01 in spaceport funds which are administered by the

Department of Commerce. The legislature also authorized the issuance of bonds up to \$20 million for spaceport infrastructure and development. During a special session in May 2000, the legislature modified its 1999 legislation to allow pursuit funds to be used for other aerospace technology initiatives.

New Mexico has a pending RLV license under review by FAA/AST. It operates an Office of Space Commercialization under the New Mexico Department of Economic Development and has approximately \$23 million for spaceport pursuit funds and \$8.6 million in a contingency fund for infrastructure.

The greatest competition for obtaining Kistler is presented by Nevada. However, Kistler is still considering the Fort Stockton site in Texas. Nevada proposed \$45 million to attract Kistler and other RLV companies to Nevada in 1999.

Oklahoma is currently proposing a \$925,000 budget item for a spaceport which is to be submitted for approval in May 2001. A spaceport authority in the state was recently established.

The Virginia Space Flight Center and the Center for Innovative Technology have an annual budget of \$5 million. Virginia also operates a FAA certified commercial launch facility at Wallops Island. The Center for Innovative Technology conducts the Aerospace Development which is one of five targeted industries for the state.

Funding for Texas

Federal legislation of loan guarantees is critical for the companies involved in order to be able to secure the private sector financing for the development of the RLVs and to show that the government will be a supporter and not a competitor in this venture. Space Access could immediately proceed in developing their vehicles upon passage of this legislation in 2001. However, the federal government wants to see some commitment at the state level before agreeing to this legislation. This would require the Texas Legislature to create a Trust Fund that would start with \$8 million its first year and increase gradually to total \$50 million. These funds would not be used until the spaceport site is finalized and ready to begin construction. By dedicating a fund, the state would show its interest and commitment to the federal government, particularly the U.S. Senate Banking Committee which is considering the federal legislation.

Recently, NASA approved a 5 year \$4.4 million Space Launch Initiative (SLI) program with an objective to reduce technology risks and enable the development of commercial RLVs.²² Space Access plans to be involved in the program and is planning on submitting a multi-million dollar proposal to NASA for system engineering analysis and test demonstration of key technologies.²³ Since loan guarantee legislation has not been finalized, the SLI will provide Space Access an avenue to continue with its progress in developing their launch systems until such legislation is passed.

In addition to the loan guarantees, the spaceport venture will require pursuit funds for plans, studies, and licensing that must be conducted in the next phase of the project. This phase will take 2 to 6 years depending on whether further analysis or adjustments need to be made. The pursuit funds include costs

for a site engineering design development plan, a RLV technology study, an environmental impact study, and spaceport licensing. According to estimations by the engineering firm of Turner Collie & Braden, hired by the Gulf Coast Regional Spaceport Development Corporation and the South Texas Spaceport Consortium, each site would require \$2 million for a 2 year period. Therefore, the state would need to appropriate \$4 million for pursuit funds in the next legislative session in order for the next phase to begin at the Brazoria and Kenedy County sites being considered by Space Access. If the firm were hired by representatives from the Fort Stockton site to perform these same duties, the cost of pursuit funds would probably add an addition \$2 million for that site as long as the work needed was similar.

The spaceport is an estimated \$500 million project. Yet, the state has not used any funds in this pursuit besides what is already appropriated to the TAC for their administration and operations. Any additional related costs have been paid by the various communities involved and the commercial space industry leaders.

Recommendations

The spaceport is a tremendous opportunity for diversification in the Texas economy. It would bring thousands of jobs to the selected site's region, increase skills to the workforce, and attract businesses and related industries. In addition, a spaceport would revitalize a region of rural Texas much in need of these gains. While the particular site of the spaceport would immediately benefit from this immense project, the profits will be evident statewide within years due to the effect this would have on new business development, technological advancements, and the global economic impact of such a market.

Although a Texas spaceport is subject to funding, the legislature needs to consider its beneficial impact on the state when making any final decisions. The actions by many other states indicate the significant affect such a project will have on the state's economy. The state that is able to obtain the spaceport will become a global leader in commercial space transportation and revolutionize the vast opportunities that space is sure to create in the decades to come.

APPENDICES

Appendix A
Local Workforce Development Boards

Appendix B
Local Workforce Development Boards

Appendix C (1 of 2)
Unemployment Insurance

Appendix C (2 of 2)
Unemployment Insurance

Appendix D (1 of 2)
Unemployment Insurance

Appendix D (2 of 2)
Unemployment Insurance

Historical Texas UI Tax Rate Components

| <i>Year</i> | <i>Ave. Rate</i> | <i>Max. Rate</i> | <i>Min. Rate</i> | <i>Replenishment Rate</i> | <i>Deficit Tax/Ratio</i> | <i>Solvency</i> |
|--------------------|-------------------------|-------------------------|-------------------------|----------------------------------|---------------------------------|------------------------|
| 2000 | 1.281 | 6.30 | 0.30 | 0.30 | --- | --- |
| 1999 | 1.238 | 6.24 | 0.24 | 0.24 | --- | --- |
| 1998 | 1.377 | 6.27 | 0.27 | 0.27 | --- | --- |
| 1997 | 1.458 | 6.27 | 0.27 | 0.27 | --- | --- |
| 1996 | 1.566 | 6.28 | 0.28 | 0.28 | --- | --- |
| 1995 | 1.765 | 6.57 | 0.31 | 0.26 | 0.04 | --- |
| 1994 | --- | 6.59 | 0.34 | 0.25 | 0.04 | --- |
| 1993 | --- | 6.35 | 0.35 | 0.35 | --- | --- |
| 1992 | --- | 6.30 | 0.30 | 0.3 | --- | --- |
| 1991 | --- | 6.27 | 0.27 | 0.27 | --- | --- |
| 1990 | --- | 6.29 | 0.29 | 0.29 | --- | --- |
| 1989 | --- | 8.34 | 0.64 | 0.34 | 0.25 | --- |
| 1988 | --- | 8.77 | 1.41 | 0.57 | 1.45 | --- |
| 1987 | --- | 8.44 | 0.44 | 0.44 | 1.06 | --- |
| 1986 | — | 8.26 | 0.26 | 0.26 | 0.8 | 0.1 |
| 1985 | --- | 6.44 | 0.34 | 0.24 | 0.85 | 0.1 |
| 1984 | --- | 8.44 | 0.63 | 0.34 | 1.91 | 0.1 |

Ave. Rate is the overall average tax rate considering each employers taxable wages.

Replenishment Tax and Deficit Tax/Ratio were first assessed in 1984 with the passage of a new UI Tax structure in 1983.

Replenishment Tax starting with 1995 includes the 0.1% Smart Jobs Assessment.

Solvency was assessed to raise sufficient revenue to bring the UI Trust Fund back to solvency.

Source: Texas Workforce Commission

Appendix F
Unemployment Insurance

Appendix G (1 of 2)
Unemployment Insurance

Appendix G (2 of 2)
Unemployment Insurance

Appendix H
Unemployment Insurance

Appendix I
Unemployment Insurance

Appendix J
Unemployment Insurance

Appendix K (1 of 6)
Unemployment Insurance

Appendix K (2 of 6)

Unemployment Insurance

Appendix K (3 of 6)
Unemployment Insurance

Appendix K (4 of 6)
Unemployment Insurance

Appendix K (5 of 6)
Unemployment Insurance

Appendix K (6 of 6)
Unemployment Insurance

Commercial Launch Market

Source: Federal Aviation Administration

Appendix M
Spaceport

ENDNOTES

ENDNOTES

1. TWC Commissioner Diane Rath, testimony submitted on 9-26-00. (hereinafter Rath 9-26-00)
2. TWC Commissioner Diane Rath, testimony submitted to the committee regarding comments made at the agency's Legislative Appropriations Request (LAR) hearing before the Legislative Budget Board (LBB) and the Governor's Budget Office on 9-12-00.
3. State Policy Reports (July 200, vol. 18, issue 13), "Anticipating Welfare Reauthorization". (hereinafter SPR)
4. SPR.
5. SPR.
6. SPR.
7. View from the Nation's Capital, Policy and Practice (September 2000), "The Future is Now: Transforming the Welfare System to Identify and Address Chronic Barriers".
8. Dr. Ed Cain, testimony submitted on 7-6-00. (hereinafter Dr. Ed Cain)
9. American Electronics Association, Cyberstates 2000, v. 40.
10. Billy Hamilton, Texas Deputy Comptroller of Public Accounts, submitted testimony on 7-6-00. (hereinafter Billy Hamilton)
11. Billy Hamilton.
12. www.soicc.state.tx.us.
13. Dr. Ed Cain.
14. Linking School-to-Careers with Economic Development: A Report of the Economic Impact of School-to-Careers in Texas prepared by ImpactDataSource and TEEX (November 1999). (hereinafter Linking STC)
15. www.thecb.state.tx.us.
16. Linking STC.
17. www.tea.state.tx.us.

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18. Lee Rector, Director to the Texas Skills Standards Board, testimony submitted on 7-6-00. (hereinafter Lee Rector)
 19. Lee Rector
 20. www.tac.state.tx.us
 21. Tom Moser, Executive Director, Texas Aerospace Commission, testimony submitted on May 11, 2000.
 22. South Texas Spaceport Consortium, testimony submitted on October 24, 2000. (hereinafter STSC)
 23. STSC.

House Committee on Economic Development, Texas House of Representatives interim report, 2002 : a report to the House of Representatives, 78th Texas Legislature. L1801.9 EC74 78.2003-0936. Intelligent vehicle highway systems. Substance use and delinquency among youths entering Texas Youth Commission facilities, 2000-2001. A1400.8 SU16US 2001.2003-1404. Juvenile delinquents. Drug use. Texas. Substance use and delinquency among youths entering Texas Youth Commission facilities, 2000-2001. A1400.8 SU16US 2001.2003-1404. JUVENILE DELINQUENTS. Economic Development (16)Opens in a frame within the page. Keyboard focus will jump to that frame. Elections and Elected Officials (7)Opens in a frame within the page. Joint Committee on Disaster Preparedness and Awareness (13)Opens in a frame within the page. Interim Committees - Press Enter to Jump to Auxiliary Committees. Interim Committees. The Economic & Small Business Development Committee was a standing committee of the Texas House of Representatives. Per the Senate Rules, committees of the Texas House of Representatives are assigned half by seniority and half by the Speaker of the House. Representatives select three committees they wish to serve on, and half of a committee's seats are filled in this manner based on seniority. In the case of equal seniority, the Speaker decides the seat. Once half of each committee is selected through