

BILL ANALYSIS

Senate Research Center

S.B. 2
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Economic Development
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Back to Work Program only applies to businesses that hire employees making under \$15 an hour in their previous job. Since 2009, this program has helped nearly 12,000 Texans gain employment. S.B. 2 expands the program to individuals who made up to \$40 an hour at their previous job. This bill allows businesses to receive up to \$2,000 (\$500 over four months) for each employee they hire that is currently receiving unemployment insurance from the Texas Workforce Commission (TWC).

The bill allocates \$30 million for the TWC skills development fund and requires that at least \$5 million of this allocation be given to small businesses to provide job-training skills for employees. These small businesses with fewer than 100 employees can receive up to \$1,450 per new employee and \$725 per retained employee for training costs at a local institution of higher education.

S.B. 2 also sets forth a public-private industries competitiveness initiative for industry clusters. This particular program will be administered by the office of the governor and its purpose will be to foster and support industry cluster organizations. The program will provide matching grants to cities, counties, chambers of commerce, higher education institutions, and businesses. The office of the governor will be tasked with developing the criteria for selecting proposals based on whether the proposal strengthens the state's exportation of goods and services, enhances education and employment opportunities, and stimulates the local economy. For every dollar given by the state for an approved proposal, there must be five dollars in matching funds for the source of the applicant. The office of the governor will also be required to submit a report to the legislature every two years detailing the number of grant recipients, the total amount of grant money awarded under the initiative, and the distribution of grants awarded under industry clusters in the state.

As proposed, S.B. 2 amends current law relating to certain economic and workforce development programs through which employers may receive grants and subsidies.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the executive director of the Texas Workforce Commission in SECTION 4 (Section 313.003, Labor Code) of this bill.

Rulemaking authority is expressly granted to the Texas Economic Development and Tourism Office in SECTION 5 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 481.078, Government Code, by adding Subsection (m), as follows:

- (m) Requires the governor, notwithstanding Subsections (e) (providing that the administration of the enterprise fund is considered to be a trustee program within the office of the governor) and (e-1) (requiring an entity, to be eligible to receive a grant under this section, to meet certain criteria), during the state fiscal biennium that begins September 1, 2011, to transfer \$15 million from the Texas Enterprise Fund (enterprise

fund) to the Texas Workforce Commission (TWC) to fund the Texas Back to Work Program (program) established under Chapter 313, Labor Code, and \$30 million from the enterprise fund to the skills development fund established under Section 303.003 (Skills Development Fund), Labor Code. Requires the governor to begin transferring money as required by this subsection as soon as possible after September 1, 2011, and authorizes the governor to make more than one transfer, if necessary, to satisfy the requirements of this subsection.

SECTION 2. Amends Chapter 481, Government Code, by adding Subchapter M, as follows:

SUBCHAPTER M. PUBLIC-PRIVATE COMPETITIVENESS INITIATIVE FOR INDUSTRY CLUSTERS

Sec. 481.181. DEFINITION. Defines, in this subchapter, "industry cluster organization."

Sec. 481.182. PUBLIC-PRIVATE COMPETITIVENESS INITIATIVE FOR INDUSTRY CLUSTERS. (a) Requires the Texas Economic Development and Tourism Office (office) to create the Public-Private Competitiveness Initiative for Industry Clusters.

(b) Provides that the purpose of this initiative is to foster and support the creation of industry cluster organizations.

Sec. 481.183. MATCHING GRANTS. Authorizes the office to award matching grants as provided by this subchapter to accomplish the purposes of the initiative.

Sec. 481.184. ELIGIBLE ENTITIES. Provides that the entities eligible to apply for a grant are a municipality, a county, a chamber of commerce, a public or private institution of higher education, and a business.

Sec. 481.185. PROPOSAL. Requires an eligible entity, to be awarded a matching grant under the initiative, to submit a proposal in the form prescribed by the office, to create an industry cluster organization.

Sec. 481.186. PRIORITY FOR AWARDS. (a) Requires the office to develop criteria for selecting proposals for matching grants under the initiative.

(b) Requires the office, in developing the criteria, to give priority to proposals that focus on:

- (1) making this state a stronger exporter of goods and services;
- (2) enhancing educational and employment opportunities for the workers of this state; and
- (3) stimulating local economic growth.

Sec. 481.187. AMOUNT OF MATCHING GRANT. Prohibits the amount of the matching grant from exceeding \$1 for every \$5 obtained for the proposal from other sources by an applicant whose proposal is approved.

Sec. 481.188. REPORTING REQUIREMENT. Requires the office, not later than January 1 of each odd-numbered year, to submit a report to the legislature regarding the activities of the initiative. Requires that the report include the following information:

- (1) the total number of grants and the total amount of grant money awarded under the initiative; and
- (2) the distribution of grants awarded among industry clusters in this state.

SECTION 3. Amends section 303.003, Labor Code, by adding Subsection (b-2), as follows:

(b-2) Requires TWC, from money available to the skills development fund, to allocate not less than \$5 million each state fiscal biennium for businesses with fewer than 100 employees that partner with one of the entities under Subsection (b) (authorizing the skills development fund to be used by public community and technical colleges, community-based organizations, and the Texas Engineering Extension Service as start-up or emergency funds for certain job-training purposes) to provide job-training skills to the businesses' employees. Prohibits a business that receives money for job-training purposes under this subsection from receiving more than \$1,450 per new employee for training costs associated with that employee, and \$725 per retained employee for training costs associated with retaining that employee.

SECTION 4. Amends Subtitle B, Title 4, Labor Code, by adding Chapter 313, as follows:

CHAPTER 313. TEXAS BACK TO WORK PROGRAM

Sec. 313.001. DEFINITION. Defines, in this chapter, "qualified applicant."

Sec. 313.002. INITIATIVE ESTABLISHED. (a) Establishes the program within TWC.

(b) Provides that the purpose of the program is to establish public-private partnerships with employers to transition residents of this state from receiving unemployment compensation to becoming employed as members of the workforce.

(c) Authorizes an employer that participates in the initiative to receive a wage subsidy for hiring one or more qualified applicants who are unemployed at the time of hire.

Sec. 313.003. RULES. Authorizes the executive director of TWC to adopt rules as necessary to implement this chapter.

SECTION 5. Requires the office, not later than March 1, 2012, to adopt any necessary rules for the Public-Private Competitiveness Initiative for Industry Clusters established under Subchapter M, Chapter 481, Government Code, as added by this Act.

SECTION 6. Effective date: upon passage or September 1, 2011.