

SUBJECT: Amending the Smart Jobs program

COMMITTEE: Economic Development — favorable, with amendment

VOTE: 5 ayes — Oliveira, Yarbrough, Luna, Seaman, Van de Putte
0 nays
4 absent — Greenberg, Keffer, Raymond, Siebert

WITNESSES: For — David Pinkus, Small Business United of Texas
Against — None

On — Mike Sheridan and Leslie Gaballe, Texas Workforce Commission; Dan McNeil and Dan Wattles, Texas Department of Commerce; Michael Patterson, Texas Council on Workforce and Economic Competitiveness

BACKGROUND : The Smart Jobs program was created in 1993 as a workforce development program to meet the needs of new and existing industries in Texas and give businesses an incentive to enhance employment opportunities. To accomplish this goal, the Texas Department of Commerce provides matching grants to businesses to develop customized employee training programs and guarantee jobs for trainees. The department is encouraged to award at least 20 percent of the grant money to minority employers.

A grant is awarded only if an employer certifies that the starting wage for new jobs will be greater than two-thirds of the state average weekly wage and that the wage for existing jobs will be increased by at least 10 percent after the completion of the training program or to 75 percent of the state average weekly wage, whichever is greater. The department can alter these requirements for businesses as appropriate.

Businesses receive 75 percent of grant monies up front; the department retains the remaining 25 percent until 90 days after the training is completed. If all trainees are still employed by the business, the business receives the 25 percent within 30 days.

DIGEST: HB 1528, as amended, would change the way grants are awarded for Smart Jobs applicants. It would encourage grants to be awarded in all areas of the state and would prohibit a single employer from receiving more than \$1 million in grant money in any fiscal year. It would also cap at \$1,500 the amount of money an employer could receive per new or existing job. Also, businesses could apply for grants to pay for training for emerging and manufacturing occupations.

Wages for new jobs would have to be equal to or greater than the prevailing wage for that occupation in the local labor market. The wage increase for existing jobs would have to be at least three percent for small business and five percent for other businesses, or 100 percent of the prevailing wage for that occupation in the local labor market. Any employer, including a microbusiness, could request modifications of these requirements.

The bill would allow for a maximum 15 percent employee attrition rate after a training program. Businesses would receive the remaining 25 percent of their grant monies from the department if at least 85 percent of employees were still employed by the business 90 days after the completion of the training program.

HB 1528 would change the annual reporting requirement to require the department to report the wage levels of trainees at three months and one year instead of three months and three years after the completion of training. The bill would add definitions for emerging occupation, manufacturing occupation, microbusiness, and small business. It would change the definition of minority group members to include members of certain groups that have suffered the effects of discriminatory practices.

The bill would take effect September 1, 1997.

SUPPORTERS SAY: HB 1528 would improve the Smart Jobs program to make it more accessible to Texas businesses. It would extend availability of Smart Jobs grant money to more and different sized businesses in more areas of the state. In fiscal year 1996, 56 percent of smart jobs money went to businesses in the Dallas area, which has 25 percent of the state's population. Only seven percent of monies were awarded to small businesses and less than four percent of monies were awarded to minority employers. HB 1528 would help correct

these inequities by establishing better employment indicators for the department and capping grant monies per business and employee.

Small businesses now are frequently discouraged from applying for grants because they cannot afford the 10 percent wage increase. HB 1528 would make the Smart Jobs program more appealing for small businesses by decreasing the amount of a wage increase required for new and existing jobs.

During fiscal year 1996, 18 companies received \$18.5 million in Smart Jobs grant money. This left only \$9 million for use by other companies. The \$1 million cap per business would ensure more businesses are able to receive monies to train employees and create high-skill and high-wage jobs for Texans.

OPPONENTS
SAY:

HB 1528 would prevent small businesses from participating in the Smart Jobs program. During the fiscal 1995-96 biennium, small businesses received an average of \$3,009 per employee to complete training projects. The proposed \$1,500 per employee cap may be adequate for large businesses, but it could disqualify many small businesses from participating in the program.

In addition, the \$1 million cap per business per fiscal year could hinder Texas business recruitment efforts and impede its ability to compete with other states for large business relocation.

Lowering the percentage increase required for new and existing jobs would counteract the purpose of the Smart Jobs program. The 10 percent wage increase should remain unchanged to encourage the creation of high-wage jobs in Texas.

OTHER
OPPONENTS
SAY:

HB 1528 would unnecessarily broaden the definition of minority groups to include more than just race or ethnicity. Taxpayer money could be used to pay for job training programs for business owned by a broad range of groups that could claim to have suffered from “discriminatory practices and similar insidious circumstances.”

NOTES:

The committee amendments would cap the amount of grant monies awarded to each business; change the increase in wages for new and existing wages; add a definition for microbusiness; and allow microbusinesses to request a waiver of wage requirements.

Rep. Oliveira plans to offer amendments to remedy the effects on small businesses.