

Tri-Agency Workforce Initiative

House International Relations & Economic Development Committee

Written Testimony of Renzo Soto, Policy Advisor at Texas 2036

May 19, 2022

In addition to formalizing the Tri-Agency Workforce Initiative, HB 3767 (87-R) provides a framework to align state agency strategies and budgets to more efficiently improve our education-to-workforce pipeline. There are six key takeaways as the state implements HB 3767 and looks forward to next session:

- With HB 3767 as a component, the Tri-Agency has committed to positive data reforms that will strengthen state workforce goals and strategies.
- There is a need to conduct robust employer engagement in state workforce planning.
- State workforce goals should be disaggregated by region, race, ethnicity, and gender.
- Taxpayer-funded education and training programs should lead to self-sufficient wages.
- Under HB 3767, all state agencies receiving education and training dollars should align their expenditures with the workforce goals.
- With reform, Texas community colleges can play a major role in helping the state resolve its current and future workforce challenges.

Addressing all six of these areas can provide the Legislature with the infrastructure and data necessary to emphasize workforce development in the next legislative session (see *the graphic below for a visual representation*).¹ This is especially important given current data on the state's education and workforce systems.

Pathway to a Workforce-Focused Legislative Session



¹ The boxes highlighted in orange in the graphic represent steps that have already been completed or initiated by the relevant state agency or agencies.

Texas employers are currently struggling to find the talented workers they need to grow their businesses. According to the TWC, 1.4 million Texans currently lack the training needed to access the majority of Texas jobs, which are “middle skills” jobs only requiring some college but no degree.² This skills gap could persist as, without net migration, **Texas faces a long-term talent supply gap of 2.5 million workers by 2036.**³

Furthermore, the COVID-19 pandemic has drastically impacted our students’ learning, which will translate to our state’s workforce. **It is estimated that learning loss from the pandemic puts our students and our state at risk of over \$1 trillion in economic losses** due to a less-educated workforce.⁴

Texas 2036 supports the Texas Education Agency (TEA), Texas Higher Education Coordinating Board (THECB), and Texas Workforce Commission (TWC) – together, the Tri-Agency – in organizing our state education and workforce systems around a single, cohesive set of state workforce goals and strategies. This will ensure that our systems are responsive to our immediate and long-term education and workforce needs.

Tri-Agency Data Reforms Create the Infrastructure for Transparency

The Tri-Agency is significantly improving the state’s education and workforce data through projects authorized by HB 3767. This includes establishing a state credential library, a data repository that will contain information on credentials offered in the state. The library will bring transparent and useful information to Texans pursuing education and training. It will also serve as the repository that the THECB will use to measure the returns-on-investment for each credential, which can help the state determine how effective its education and training programs are in providing value to both students and employers.

The state is considering another data project to enhance the employment and earnings data reported by employers. Improved labor market data, such as occupational information, can provide the state with valuable insights allowing for improved linkages between education and training offerings and the state’s workforce needs. These data improvements can augment the state’s ability to identify – and better orient its systems around – both existing and emerging industries and occupations in Texas.

We also want to highlight the Tri-Agency’s recent commitment to create public, user-friendly data dashboards to report on the state’s progress towards its workforce goals. This can empower stakeholders to assess where intervention and resources may be needed, allowing for collaboration and innovation together with the state. These data improvements will cement the state’s status as a national leader on basing its education and workforce policies on robust and comprehensive data.

Employer Engagement Ensures Robust Workforce Alignment Throughout Texas

² Texas Workforce Commission, <https://www.twc.texas.gov/news/twc-chairman-bryan-daniel-testifies-how-community-college-innovation-can-address-middle-skills-gap>.

³ Aim Hire Texas, *Aim Hire Texas Workforce Issues*, February 2021, page 83, <https://texas2036.org/wp-content/uploads/2021/04/AHT-Initial-Findings.pdf>.

⁴ Eric A. Hanushek, Ludger Woessmann, *The Economic Impacts of Learning Loss*, September 2020. \$2 trillion is quoted from the TEA presentation to the House Public Education Committee on April 26, 2022.

Throughout the development of state workforce goals and strategies, the Tri-Agency is required to engage in meaningful consultation with employers. This also includes identifying employers' current and future needs to establish priority career pathways that address regional workforce demands, emerging industries and occupations, and upskilling opportunities for incumbent workers leading to better wages.⁵

Embracing Texas employers as a co-equal partner in developing the workforce goals and strategies and guiding state programs towards priority career pathways should be a principal focus for the Tri-Agency. This is because businesses often do not operate around the timelines of state institutions. The months, or years, it takes a Texas student to earn a postsecondary credential is not always conducive to filling today's open jobs. Additionally, if the state's career pathways do not accommodate the rapidly-changing demands of the labor market, Texans' education and training will not be aligned with future workforce needs.

However, by regularly and organically engaging Texas employers, the Tri-Agency can focus our education and workforce systems to our state's regional and local workforce needs. This can drive maximum benefits to both Texas employers and workers.

Disaggregation of State Workforce Efforts Accounts for Texas' Diverse Economy and Population

Disaggregation of state workforce goals by race, ethnicity, gender, and region is required by HB 3767. This is a crucial effort due to the state's regions having varying workforce demands and varying talent to fill those demands. For example, software developers and analysts are one of the most in-demand occupations in Dallas-Fort Worth, while immediately west of the region, farmers, ranchers, and agricultural managers have the highest demand in West Central Texas.⁶

In order to support the diversity of the state's economy and population, disaggregated data is needed to show how well each demographic is meeting regional workforce demands. We applaud the Tri-Agency for their recent commitment to report data on the workforce goals by race, ethnicity, gender, and region.

State Education and Training Programs Should Empower Texans to be Self Sufficient

In the context of HB 3767, a "self-sufficient wage" refers to a wage that allows Texans and their families to meet basic needs without state public assistance. Our 2022 Texas Voter Poll found that **77% of Texas voters are also calling for education and workforce goals that ensure Texans earn wages at least high enough to stay off public assistance programs.**

The state can respond to these calls by using self-sufficient wage levels to align the state's career and education programs with jobs paying such a wage – a requirement of HB 3767. While the Tri-Agency is working to calculate these wage levels for each Texas county, aligning the state's programs with the wage levels allows the state to measure its efficacy in empowering Texans to be self-sufficient.

⁵ Texas Government Code, Sec. 2308A.006.

⁶ Highest growth occupations determined through the Dallas-Fort Worth WDA and West Central Texas WDA profiles on the Aim Hire Texas Regional Data dashboard: <https://texas2036.shinyapps.io/aim-hire-texas/>.

To address the context of a self-sufficient wage under HB 3767, the wage levels can be tied to the eligibility thresholds for state public assistance programs – preferably, programs addressing basic needs, like food, such as the Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and reduced lunch prices (RLP).⁷ This can provide Texans with fulfilling employment that meets basic needs while helping the state produce strong outcomes for program participants.

As the Tri-Agency calculates self-sufficient wage levels, it is also important to consider the size and earnings of Texas families relative to the eligibility thresholds of public assistance programs. According to the U.S. Census Bureau, the average Texas household is 2.85 people. As such, Texas 2036 supports basing self-sufficient wage levels around the basic needs of a family of three supported by a single income. We reference a single income because state workforce goals should not be oriented to either assume both parents in a two-parent household are in the workforce or that single-parent households are destined for public assistance. A similar calculation accounting for the basic needs of a family of four on a single income would also accomplish this goal. This would ultimately help equip all Texas families with the education and training necessary to meet their basic needs.

Aligning State Agency Budgets with Workforce Goals Ensures Maximum Value for Texas Taxpayers

HB 3767 requires state agencies to meet the workforce goals by aligning all career education and training dollars towards the goals. Specifically, state agencies must describe how their planned expenditures will help the state meet the goals through their biennial legislative appropriations requests.

Texas spends \$100 billion every year on education and workforce, but not all programs have led to the same – or even improved – outcomes for participants.⁸ According to our January 2021 Texas Voter Poll, **84% of Texas voters believe that the state’s educational programs, degree plans, and certifications need to be better oriented towards modern, good-paying jobs.**

The state’s education and workforce resources must result in value for all Texans, particularly meaningful and fulfilling employment and a good wage. Ensuring that state agencies are organizing their resources to meet workforce goals will be a strong start.

Texas Community Colleges Provide a Key Partnership Opportunity to Meeting the State’s Workforce Goals

It is crucial that the state’s workforce goals are adopted not only by state agencies, but also by regional and local partners and institutions. This will be key to effectuating the workforce goals and driving its benefits to Texas communities. The work of the Texas Commission on Community College Finance (TCCCF), as established by SB 1230 (87-R), can help accomplish this.

⁷ According to the U.S. Census, the average Texas household has 2.85 people. For a household of 3, the annual income eligibility thresholds for SNAP, WIC, and RLP are \$36,240, \$40,632, and \$40,626, respectively.

⁸ Aim Hire Texas, *Aim Hire Texas Workforce Issues*, February 2021, page 28, <https://texas2036.org/wp-content/uploads/2021/04/AHT-Initial-Findings.pdf>.

Texas 2036 joins business, education, and civic leaders in identifying Texas community colleges as among the most readily-deployable partners to address employers' workforce needs – making community colleges ripe for the state to leverage for workforce development. Texas voters also agree as our August 2021 Texas Voter Poll found that **87% of Texas voters want community colleges to focus on programs that match the needs of the local workforce.**

The workforce goals can be used by the TCCCF as an organizational framework for community colleges. For example, one of the goals states that 60% of Texans aged 25-34 and 35-64 will have a degree, certificate, or other postsecondary credential of value by 2030.⁹ **Currently, only 0.2% of total annual community college operating revenues come from state funding for outcomes aligned to workforce needs.**¹⁰ Comprehensive reforms to the state's community college finance system, however, incentivizing the attainment of credentials of value can ensure that community colleges can align their programs to workforce needs and support students on their path to a good-paying job – all while helping the state meet its workforce goals.

Conclusion

This is truly a new opportunity for Texas. State leaders can organize a whole-of-government effort to address the pre- and post-pandemic educational and workforce needs facing our state. The Legislature took the first step in providing an effective framework to doing so through HB 3767. The Tri-Agency has worked to turn the framework into action. By fully engaging these six key areas – data reforms, employer engagement, disaggregation, self-sufficient wage attainment, budget alignment, and community colleges – we can set up our education and workforce systems to better serve the Texans of today and tomorrow.

⁹ According to the Tri-Agency, "postsecondary credentials of value are defined based on graduates' typical earnings and net costs, compared to typical earnings of high school graduates." The definition can be found at: https://triagency.texas.gov/wp-content/uploads/2022/04/Tri-Agency-Workforce-Initiative-Goals-and-Strategies_FINAL_04-30-2022.pdf.

¹⁰ Calculated using the most recently available data, specifically FY 22 state appropriations, FY 21 tuition and fees, and FY 20 ad valorem collections.