

## SKILLS DEVELOPMENT FUND FREQUENTLY ASKED QUESTIONS

These Frequently Asked Questions (FAQ) were developed as a supplement to the Skills Development Fund (SDF) Proposal Submission Packet. The Proposal Submission Packet, FAQ updates, and more Skills Development Fund information can be found at <http://skills.texasworkforce.org>. Any questions about this document can be directed to [Skills@twc.state.tx.us](mailto:Skills@twc.state.tx.us).

**1. Q What are the proposal submission deadlines for the SDF program?**

**A** Proposals may be submitted year round. Proposal developers are highly encouraged to take advantage of technical assistance prior to final proposal submission. Please contact the Workforce Business Services Outreach & Customer Support team at 877-463-1777 or email [Skills@twc.state.tx.us](mailto:Skills@twc.state.tx.us).

**2. Q How will I be notified about the status of my proposal submission form?**

**A** TWC will keep applicants informed of the status of their proposals throughout the evaluation period. An applicant will be notified within 10 working days from the date of receipt that the proposal was received and whether or not it contains all the required components. Extensive and/or multiple Requests for Information required during the review process may affect the evaluation timeline.

**3. Q Who are eligible grant recipients?**

**A** Eligible grant recipients include:

- Public community colleges;
- Public technical colleges;
- The Texas Engineering Extension Service (TEEX); or
- A community-based organization (CBO) only in partnership with the public community college or technical college or TEEX.

**4. Q What types of businesses can be partners in a Skills Development Fund project?**

**A** Private for-profit businesses are the primary business types that can be a partners in a SDF project. Private non-profit entities and public agencies cannot be partners in a SDF project. The one exception is that private, non-profit hospitals are allowable partners.

**5. Q Who is an eligible training provider?**

**A** Eligible training providers include:

- Public community colleges;
- Public technical colleges;
- The Texas Engineering Extension Service (TEEX);
- A community-based organization only in partnership with the public community college or technical college or TEEX; or
- A person, sole proprietorship, partnership, corporation, association, consortium, governmental subdivision, or public or private organization with whom a public community or technical college or TEEX has subcontracted to provide training.

**6. Q What is the definition of a community-based organization (CBO)?**

**A** A community-based organization is a private nonprofit organization, including a development corporation and faith-based organization, that: (A) provides for education, vocational education, rehabilitation, job training, or internship services or programs; and (B) is exempt from the payment of federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, and its subsequent amendments, by being listed as an exempt entity under Section 501(c)(3) of that code.

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7. **Q Are Local Workforce Development Boards (Boards) eligible grant recipients for the Skills Development Fund?**  
**A** No, however eligible grant recipients must coordinate with the Board in the development and design of the customized training project.
8. **Q What is the role of the Board in the SDF proposal submission process?**  
**A** Boards play an important leadership role in developing the Texas workforce. Boards can facilitate partnerships between economic development, workforce education, and the business sector to develop successful customized training projects. Boards have various labor market resources at their disposal and are knowledgeable about business and workforce needs in the community. Eligible applicants are required to have Boards review and comment on proposals prior to submission.
9. **Q How are businesses involved in the development of an SDF project?**  
**A** Businesses must participate in the planning and design of the proposed training project. They identify training needs that require a customized approach and complete the Private Partner Information Form. This form requires information about employment benefits for workers in the proposed project, trainee occupational and wage information using the Standard Occupational Classification codes system, and demographic information about the company.
10. **Q Is the business required to provide medical insurance?**  
**A** There is no requirement for a business to provide medical insurance to trainees in an SDF grant. However, it is an important factor that will be considered in the evaluation of proposals. TWC is required to report to the Texas Legislature the number of trainees who receive medical insurance.
11. **Q What financial commitments must the business make?**  
**A** There is no financial commitment required of the business; however, resource contributions from the private partner are considered in the evaluation of proposals. The Proposal Submission Form requires an applicant to identify all sources of funding for the proposed project, including resource contributions the private partner is willing to commit to the project.
12. **Q How is the financial stability of a business determined?**  
**A** TWC uses the Experian database to evaluate the financial status of a business. When information for a business is not available on this database, TWC will request the most recent year-end and quarterly financial statements from the business.
13. **Q What changes are there in the SDF program to encourage small business participation?**  
**A** State law directs TWC to consider giving priority to training incentives for small businesses. SDF funds may be used to sponsor small and medium-sized business networks and consortiums for the purpose of developing customized training programs. The participation of small and medium-sized businesses in an SDF project is a factor considered in the proposal evaluation process. Applicants are encouraged to seek out small and medium-sized businesses for participation in SDF projects. In addition, an opportunity has been launched in conjunction with the Governor's Small Business Forums targeted for businesses with 1-99 employees. Information on this opportunity can be found at <http://www.twc.state.tx.us/svcs/funds/ssb.html>.
14. **Q What are the definitions of small, micro, and medium-sized businesses?**  
**A** A small business is one that employs 1-99 employees. Businesses employing not more than 20 people are sometimes referred to as micro. A medium-sized business is one that employs 100-499 employees.

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15. **Q How can the Workforce Business Services department at TWC assist in the development of an SDF proposal?**  
**A** Workforce Business Services staff can help convene meetings between training providers, applicants and interested businesses. Staff can also provide technical assistance during the project development phase and in completing the Proposal Submission Form. To request technical assistance, call 877-463-1777 or email [Skills@twc.state.tx.us](mailto:Skills@twc.state.tx.us).
16. **Q What is customized training?**  
**A** Customized training must be specifically designed to meet the needs and special requirements of the participating business partners.  
  
While customized training typically extends beyond standard programs available through the provider's course curriculum, it may also encompass standard programs. The overall unique design and development of a training project creates customization. A truly customized training project meets an employer's specific training requirements, including customizing the curriculum, scheduling classes around the employees' work schedules, developing company specific instructional examples, as well as addressing needs in real time with real situations.
17. **Q What is the typical length of an SDF contract?**  
**A** The standard length of time for an SDF contract is 12 months. Training projects should be developed and planned so that deliverables can be accomplished within this time period. TWC will only issue contract amendments and extensions under extenuating circumstances. Longer term projects will be considered on a case-by-case basis.
18. **Q The rules state that 60 percent of funds may be used for job retention training and 40 percent of funds may be used for training for job creation. Does this mean that every SDF proposal needs to have a 60/40 split?**  
**A** No, it is not required that every proposal has a 60/40 split; however, the creation of new jobs is considered a strength in the evaluation of an SDF proposal. The language in the rules reflects the legislative intent of state law, which means that to the extent practicable TWC will award approximately 60 percent of funds to be used for incumbent (current or existing) worker training, with the remaining funds to be used in training for job creation. The Legislature considers the 60/40 split an important target for the SDF program and TWC will work closely with the colleges, local Boards, and economic development entities to strive to meet that target.
19. **Q What is a "new job"?**  
**A** A new job is one occupied by an individual hired after the contract start date who will receive training through the proposed project.
20. **Q What is an "upgraded job"?**  
**A** An upgraded job is a position occupied by an existing (current or incumbent) worker who will receive training through the proposed project.
21. **Q Is training for job retention the same as training for incumbent workers?**  
**A** Yes. Training for incumbent (existing or current) workers is considered training for job retention.
22. **Q Where can I find information about prevailing wage?**  
**A** TWC's Labor Market and Career Information (LMCI) department provides data sources to determine prevailing wage for local areas. Occupational wage information is available for the 28 Workforce Development Board Areas by downloading the publication found at <http://www.tracer2.com/publication.asp?PUBLICATIONID=861>.

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23. **Q What does an actual or projected labor shortage mean?**  
**A** An actual or projected labor shortage can refer to a shortage of potential employees or to a lack of skilled incumbent employees required by the employer to complete the work at hand. An actual or projected labor shortage in occupations can be determined by national, state, or local workforce data or by the business asserting the lack of qualified employees to fill needed jobs. The lack of a skilled workforce may require the upgrading of incumbent worker skills or the hiring of new employees.
24. **Q What is a CIP code?**  
**A** A CIP (Classification of Instructional Programs) code provides a categorical coding scheme for accurate tracking, assessment, and reporting of training activity. The CIP code directory can be found at the National Center for Educational Statistics website:  
<http://nces.ed.gov/pubs2002/cip2000/>.
25. **Q What is a NAICS code?**  
**A** The North American Industry Classification System has replaced the US Standard Industrial Classification system. NAICS was developed jointly by the United States, Canada and Mexico to provide comparability in statistics about business activity across North America. You can access NAICS codes at: <http://www.census.gov/eos/www/naics/>
26. **Q What is an SOC code?**  
**A** An SOC (Standard Occupational Classification) code is the system Federal statistical agencies use to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of more than 840 occupations according to their occupational definition. To facilitate classification, occupations are combined to form 23 major groups, 97 minor groups, and 461 broad occupations. Each broad occupation includes detailed occupations requiring similar job duties, skills, education, or experience. The detailed SOC Code is required for the occupations listed in an SDF proposal. You can access SOC codes at <http://stats.bls.gov/soc/home.htm>.
27. **Q What is an industry cluster?**  
**A** An industry cluster is a concentration of businesses and industries in a geographic region that are interconnected by the markets they serve, the products they produce, their suppliers, the trade associations to which their employees belong, and the educational institutions from which their employees or prospective employees receive training. A cluster results from either industries linked through buyer-seller relationships or industries which have common markets, labor skills, technologies, or similar resources. More information about local and state industry clusters is available at <http://www.texasindustryprofiles.com/>.
28. **Q What is the "High Priority Occupations List"?**  
**A** High-growth, high-demand occupations and industries are characterized by a high number of new jobs projected or currently being added, or by a large number of existing jobs. Each Local Workforce Development Board develops an area-specific list that is available to the public.
29. **Q The Private Partner Information Form asks for the average percentage increase in wages that will be paid to trainees in upgraded jobs. What does this mean?**  
**A** This refers to the average percent difference between the wages to be paid at the start of the training project and the wages to be paid at the completion of the training project for a specific occupation. For example, if a wage at the beginning of the project is \$10 per hour and the wage at the completion of the project is \$11 per hour, then the percent increase for this job is 10 percent. This is calculated by taking the difference of the end wage minus the beginning wage and dividing by the beginning wage. Average this calculation for all upgraded jobs to arrive at the average percentage increase.

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- 30. Q Can SDF funds be used for adult education and literacy?**  
**A** Yes. The SDF program does not preclude the use of funds for literacy and adult education, if a business identifies this as a need.
- 31. Q Are there unallowable costs in Skills Development Fund grants?**  
**A** Yes. SDF funds are to be used to develop and provide customized training for businesses and trade unions. Trainee wages, travel costs, and drug test costs are not allowable expenditures. In addition, SDF funds may not be used to pay the training costs of an employer that relocates the employer's worksite from one place in Texas to another. The SDF rules state that the purchase of proprietary or production equipment required for the training project of a single local employer is not an allowable expense; however, applicants may request a waiver and ask that the Executive Director consider the equipment request. Certain equipment leases are allowable and up to 10% of the total grant award can be used to purchase necessary training equipment for a consortium of employers.
- 32. Q Can applicants apply for other state and federal funds to supplement SDF activities?**  
**A** Yes. However, applicants must disclose other grant funds sought or awarded from TWC or other state or federal entities. Applicants and businesses must also disclose whether they are submitting concurrent proposals for an SDF grant and a Texas Enterprise Fund grant. This does not prevent or hinder consideration of applicants' proposals for SDF grants; as long as the business has not participated in a funded training project within the last 24 months (please see Question #41).
- 33. Q What is the average cost per trainee in an SDF project?**  
**A** The average cost target for an SDF trainee is approximately \$1,420, although the actual cost can be higher or lower. If the cost per trainee for a proposed project is higher than the average, an applicant may strengthen its proposal by including justification for the higher cost.
- 34. Q Does the grant recipient have to competitively procure for a training provider, or can they identify the provider in the application without procurements?**  
**A** It is the Texas Workforce Commission's (TWC) intent that when it reviews and approves a SDF grant project, that it is also approving the training delivery method, the training providers and the agreements between the grant recipients and private partners to expedite the delivery of training in a timely manner. SDF project plans may include private partners that will conduct some of the training in-house using a training provider selected by the private partner. Although TWC requires a subcontract between the community college and such a training provider, the Agency does not require any further procurement activity for such training providers as long as they are identified in the proposal. However, if after a project is in contract the grant recipient wants to add a new course that will be provided by a third-party training provider, then it will need to competitively procure that entity.
- 35. Q Can SDF funds be used to pay for training that is delivered through distance learning?**  
**A** Yes. The same reporting requirements apply for training delivered via distance learning as that of traditional classroom-based training. Also, grant recipients must ensure they can track and document a trainee's progress through the course.
- 36. Q What does positive economic impact mean?**  
**A** Generally, a positive impact can be demonstrated by the creation of new jobs, an increase in wages for upgraded jobs, the provision of medical benefits to employees, and the growth and stability of local businesses.

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- 37. Q My company has professional trainers on staff and the majority of our training material is proprietary. Is it allowable for the applicant to subcontract all of the instruction to the business?**
- A** No. Since the Skills Development Fund is intended to build the capacity of the community colleges in Texas to respond to the training needs of businesses in a timely and efficient manner, TWC will not approve grants in which all of the training is being conducted by the business or a third party vendor. TWC values projects in which there is a strong partnership between the private business and the college in the design and delivery of the training. Projects in which the college has limited or no role in the design and delivery of the training do not demonstrate this partnership.
- 38. Q What is proprietary training?**
- A** Proprietary training is training which is owned and controlled by the business and/or third-party training provider and is subject to laws such as copyrights, patents, or trademarks. The control of the training curriculum usually is retained by the business or third-party training provider. It may be training on resources or equipment that is exclusive to a single business process. A business that wants to use its own training curricula in an SDF project must demonstrate a lack of capacity or inability to meet its own demand. The proposal must also explain why the business' infrastructure cannot support its training needs without the assistance of an SDF grant.
- 39. Q Why are Social Security Numbers (SSN) required for trainees?**
- A** One of the key pieces of information required for reporting monthly participation and status in a Skills Development Fund project is the trainees' Social Security Numbers (SSNs). TWC has always required SSNs for reporting purposes and has never allowed substitute numbers (e.g., employee numbers) to be used. TWC recommends that the college discuss the SSN requirement with business partners at the earliest appropriate opportunity and that the SSN requirement be included in the signed agreement. Further, the business partner needs to be aware that the person signing the Private Partner Information Form on behalf of the business is signing an assurance that the business agrees to comply with the reporting requirements of the Skills Development Fund program. If businesses are unwilling or unable to provide SSNs, provisions have to be made to obtain the SSN from the trainee prior to enrolling the trainee in class. Failure to report the SSN for a trainee results in the grant recipient not being able to count that trainee in its performance.
- 40. Q What security is used to protect individual private information?**
- A** TWC uses a computer system called Learner Outcome Tracking System (LOTS) to track contractor's performance against grant awards from the Skills Development and Self-Sufficiency Fund programs. TWC uses a multi-level approach to address system and data security. LOTS user access is granted by TWC through a user security system. A self-registration process is used to provide access to a specifically identified contact. Once this contact is established as the initial user, he/she can authorize additional individuals to register with LOTS for the same grant recipient. Grant recipients can only view data they have loaded into LOTS for the grant awarded.
- Data uploads are accomplished through a LOTS website that uses secure socket layer (SSL) security, which encrypts or scrambles all of the data between the web server and the user's internet browser. It is the same type of security that banks and secure online shopping websites provide to protect your credit card data over the Internet. In addition, please see TWC WD Letter 13-08 issued April 1, 2008 for information on additional security measures that must be implemented to ensure the confidentiality and security of customers' personal identity data.

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**41. Q Can an employer participate in multiple Skills Development Fund projects?**

**A** In light of both the increased demand and the importance of customized training for many businesses, it is TWC's intent that as many businesses as possible are able to benefit from the program. A business' participation in a Skills funded project is limited to one project in a 24-month period. The one exception is if a business is expanding its operations and needs training for new hires. Then a business may participate in more than one project in a 24-month period.

The 24-month limitation begins at the start date of the contract period for the Skills project. If a business is amended into an existing project, the 24-month limitation begins from the date the amendment becomes effective. The 24-month limitation applies to all businesses, including those with multiple locations throughout the state.

**42. Q Is there a limit in the costs TWC will approve for Lean and Six Sigma courses?**

**A** Yes. TWC has seen a marked increase in Skills Development Fund training requests in the areas of Lean Manufacturing and Six Sigma. While these courses are extremely valuable to businesses that are re-tooling or changing business processes, they are also expensive. As a part of the state legislative appropriations process, TWC is given a cost per trainee performance target that must be reported monthly to the Legislative Budget Board as a part of the administration of the Skills Development Fund. For Fiscal Year 2010 and 2011, the cost per trainee performance target is \$1,420. Many of the proposals that TWC has received of late for Lean Manufacturing and Six Sigma training, have costs per trainee in the \$3,000 to \$13,000 per trainee range for these courses. This cost per trainee far exceeds the target used as a guide in awarding Skills Development Funding. TWC will not approve courses for training that deviate substantially from this target. TWC will consider funding Lean Manufacturing and Six Sigma training when the employer is willing to incur costs for the training and the request to TWC is in range of the performance target of \$1,420 per trainee.

**43. Q Will projects that are focused on Electronic Medical Records training be considered for funding?**

**A** To date, the majority of funding requests have been for training on Electronic Medical Records software systems that required third-party vendors because they were the only entities certified through manufacturers to teach the training. TWC will not approve funding for these types of grants, as there is little or no capacity building for the colleges, which is one of the purposes of the Skills program.

TWC will consider projects that train workers on the skills needed to work in medical environments. Such training may include courses in areas of specialty certification, medical coding, chart auditing, financial reporting, computer skills, etc. Proposals with this focus will be stronger if the colleges are the primary training providers; however, we realize there are courses for which some colleges do not have the capacity and may need to contract with third-party vendors to provide. We will consider these situations on a case-by-case basis.