

Implementing Senate Bill 642

The Local Option: A Stronger Role in Workforce Development

Paper 1 in a Series of 4

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Preface

This is the first in a series of four papers on issues related to the implementation of Texas Senate Bill 642, the Workforce and Economic Competitiveness Act of 1993.

This law fundamentally restructures the way labor market services are planned and delivered in Texas. At the state level, it consolidates the strategic planning, oversight and evaluation functions for a number of separate workforce development programs in single state agency, the Texas Council on Workforce and Economic Competitiveness. The law requires state agencies represented on the council to use its strategic plan to guide budgeting and operational planning decisions for the workforce programs they administer. Further, these agencies must implement all council recommendations approved by the governor provided they do not violate federal or state laws or regulations.

At the local level, Senate Bill 642 encourages mayors and county judges—as representatives of units of general local government—to both establish workforce development boards with functions similar to those of the new state council and design service delivery systems based on the “one-stop” approach outlined in the bill. If they respond to this challenge, much of the state’s authority and control over workforce development activities will be decentralized to local areas throughout the state. This not insignificant shift of power will enable local decision makers to fashion workforce systems that better address the unique labor market needs of employers and workers in their respective locales.

This combination of consolidation and decentralization lays the foundation for building an integrated workforce development system in Texas that improves access for those who need labor market services and enhances the quality and appropriateness of the services they receive. Building such an integrated system from the existing array of separately funded education, training and employment programs is a major undertaking that will require strong commitment and a sustained effort over several years.

Understandably, the scope and magnitude of these changes will threaten many of those currently associated with the various workforce programs. They will have questions and concerns about the new approach and will need substantive information describing the benefits of an integrated system, what it will look like and how it will work. Even so, it will take time for the benefits of reform to outweigh their fear of the unknown and natural resistance to change.

This series focuses on the most important elements of the workforce system outlined in Senate Bill 642. The individual papers are not written as technical assistance guides. Rather, each describes a key component of the new system and explores the major opportunities and challenges associated with its implementation. Together, they provide a framework and offer a possible course of action for those who see the advantages of building an integrated workforce system in Texas. Other papers in the series are:

- Paper 2 A Labor-Market Approach to Workforce Development
- Paper 3 Building a Local Workforce Development Board:
The Key Steps
- Paper 4 Designing the Local Service Delivery System

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Implementing Senate Bill 642

The Local Option: A Stronger Role in Workforce Development

Introduction

Currently in Texas, local elected officials are only marginally involved in workforce development.¹ They oversee the administration in their areas of the Job Training Partnership Act (JTPA), a narrowly targeted federal law that provides job training and employment services for disadvantaged youth and adults as well as dislocated workers. To carry out their JTPA responsibilities, local elected officials appoint private industry councils (PICs) and with the PICs, set the governance structure and decide how to share the planning, funds-management and administrative responsibilities for the program.

Since it is the one workforce program they administer and the only one for which they are directly accountable, local officials and the PICs focus their attention on JTPA. They plan and administer the program largely in isolation from other workforce programs in their communities. The current federal-state framework forces them to operate from the bottom of a categorical “silo”—always looking up for federal funding and program direction and responding to performance measures imposed from above—largely independent of local labor market needs. Coordination with other workforce or human service programs—when it occurs—is generally motivated by the need for additional resources to help meet JTPA performance requirements.

¹As defined in the bill and used here, the term *workforce development* includes *workforce education* and *workforce training and services*. Workforce education refers to articulated career-path programs that lead to licensure, certification or degree-level accreditation. Workforce training and services refer to all training and employment services not included in the above definition. These definitions are carefully drawn to delineate authority and responsibility between existing state and local education boards and the new workforce boards established under SB 642. Major workforce development programs include adult basic education, vocational education, literacy training, job training, employment and unemployment insurance.

As a consequence, local elected officials and PICs have only limited experience with other federal and state programs providing workforce services in their areas. They are unlikely to know the funding levels, service providers or effectiveness of the other related programs or how these programs could be integrated with JTPA services to better address local labor market needs. From this narrow and somewhat limited perspective, local officials have little opportunity to envision what a broad-based workforce development system might look like or the sizable contribution such a system could make to their local economies.

The economic benefits derive from Senate Bill 642's decentralizing authority and control over workforce training programs to the local level. With that local autonomy come numerous opportunities for:

- Linking education, workforce and economic development efforts at the local level, thereby improving chances for attracting high-wage jobs to the area;
- Building local service delivery systems that are more responsive to the needs of local residents—employers seeking qualified applicants, workers seeking better jobs, and students looking for better education and training opportunities;
- Making local workforce services more efficient and effective;
- Holding local service providers accountable for results; and,
- Increasing the amount of federal and state funding available to the community.

Senate Bill 642

Senate Bill 642, the Workforce and Economic Competitiveness Act of 1993, presents a unique opportunity for change. The legislation sets out an intergovernmental framework for integrating the services of all workforce

development programs in Texas and offers local elected officials more authority and control over the various workforce programs operating in their areas. Together, these provisions challenge state and local officials to build a single, integrated workforce development system for Texas that is independent of any one funding source or program and is specifically tailored to fit the unique circumstances of the many different areas of the state.

At the state level, the law consolidates the strategic planning, oversight and evaluation responsibilities for all major workforce development programs in a single state agency, the Texas Council on Workforce and Economic Competitiveness (TCWEC). A number of advisory committees previously attached to separate programs are abolished and their functions assigned to the new council.² Even more important, the law requires state agencies represented on the council to use its strategic plan to guide budgeting and operational planning decisions for the workforce development programs they administer. Further, these agencies must implement all council recommendations approved by the governor as long as they do not violate federal or state laws, regulations or rules.

Under this arrangement, key management functions for the various programs are divided between the state agencies and the new council. The state agencies continue to administer their own workforce programs but give up strategic planning, policy development and oversight responsibilities for these programs to the council. This delineation of responsibilities circumvents the bureaucratic resistance that would inevitably build against more ambitious program consolidation proposals yet permits many of the benefits of such an approach to be realized.

This partial integration of workforce programs at the state level, however, effectively shifts the burden for achieving the level of program consolidation and the seamless integration of services envisioned in the bill to local governments. While few question the wisdom of designing a workforce system from the

²State-level advisory committees abolished by SB 642 include the Texas Council on Vocational Education, the Texas Literacy Council, the State Job Training Coordinating Council, the Apprenticeship and Training Advisory Committee, the Texas Employment Commission Advisory Committee and the Adult Education Advisory Committee.

bottom up, a task of this magnitude is made much easier if funding for the various programs are consolidated at the federal or state level first. Since this is not the case under Senate Bill 642, local officials face the challenge of building integrated systems from separate programs funded and operated by a number of different federal and state agencies.

Even so, the bill provides a unique opportunity for local chief elected officials in Texas to assume a much larger role in workforce development, and a number are likely to accept the challenge.³ It is important to remember, however, that Senate Bill 642 is a local-option bill. While it mandates changes at the state level, it encourages but does not require similar changes at the local level. Local elected officials have the choice to continue operating the JTPA program as they do currently or to take on the expanded authority and responsibilities authorized under the bill.

By accepting the challenge of Senate Bill 642 and creating workforce development boards, local chief elected officials shift the authority and control over the various workforce training programs from state government to local areas across the state. The new boards they form take on responsibility for planning and overseeing all workforce training and related services and for evaluating all workforce development programs in their areas.⁴ In addition, they become responsible for designing and identifying funding for their local service delivery systems, including the establishment of a network of one-stop workforce development centers.

The way the new intergovernmental system is structured in the law, the strategic plan developed by a local board—once approved by the state council and the governor—becomes the state's strategic plan for that labor market area. Thus local officials and their workforce development boards provide strategic

³Under the bill, *chief elected officials* in local workforce development areas designated by the governor are authorized to form workforce development boards. Rules issued by the Texas Council on Workforce and Economic Competitiveness (TCWEC) define chief elected officials as the mayor of any city with a population of 100,000 or more and the county judge of each county included in a designated area.

⁴Note the limit on the authority of the local boards. They plan for and oversee workforce *training and services* but not workforce *education* programs. However, they are responsible for evaluating workforce *education* programs along with all other workforce development programs operating in their areas.

direction and oversight for all state agency administered workforce training and services programs operating in their jurisdictions.⁵ This new and expanded role for local officials goes far beyond overseeing the administration of a local JTPA program.

The Local Option

The implementation of Senate Bill 642 in Texas hinges on positive responses from local elected officials across the state. Once the governor designates local workforce development areas, the chief elected officials in each one have an important decision to make—continue business as usual or move to the new system outlined in the law.

Maintaining the Status Quo

If they choose to maintain the status quo, the local provisions of the law do not apply, and implementation of the bill is effectively blocked in their areas. The immediate cost of such a decision appears minimal, the possible loss of a small amount of money. Senate Bill 642 and pending federal legislation both hold out prospects for planning and implementation grants for local areas willing to create integrated workforce systems based on the one-stop approach to service delivery. Indications from the federal level are that preference will be given to local areas that plan for and service entire labor market areas and include the greatest number of workforce programs in their systems. Funding amounts from either state or federal source and the timing and conditions under which funds will be available remain uncertain, however.⁶

⁵Again, note the term workforce *training and services*, not workforce development, which would include *education*.

⁶The Department of Labor has earmarked \$29 million in the current program year for promoting local one-stop career centers and is requesting \$104 million for next year for this purpose. Whether the initiative will be funded at this level remains to be seen. In Texas, TCWEC has currently identified \$400,000 to provide planning grants for local areas willing to create local workforce boards and move to one-stop service delivery but nothing for the implementation of this approach so far. Further, the council has not earmarked any funding to encourage local officials to take a labor-market approach to workforce planning even though the state law encourages such an approach.

More significant is the fact that local officials who choose the status quo will maintain control over the JTPA program but have little or no influence over other workforce services provided in their areas. The new state council, rather than a local workforce development board, will make the strategic decisions affecting these other workforce programs. Efforts to better serve employers, students and workers and to link local workforce and economic development efforts through integrated service delivery systems will continue to be difficult and largely ineffectual. In the short run, however, the monetary and programmatic costs of such inefficiencies are difficult to quantify and, therefore, not important considerations for local decision makers.

There is another reason to continue current arrangements. It is simply the easiest and safest thing to do, particularly in cases like this where no well-organized constituency is pushing for the proposed changes. By maintaining the status quo, local elected officials avoid the political problems that inevitably accompany any attempt to restructure well-entrenched programs. By not changing the way local programs currently operate, the distribution of authority and control among elected officials, local boards, service providers and staff remains intact as well.

Benefiting from Change

On the other hand, what if local elected officials decide to accept the opportunities and challenges inherent in Senate Bill 642. They may derive a number of potential benefits. First, they immediately put themselves in the forefront of a nationwide effort that will yield long-term economic benefits for their areas. Creating an integrated workforce system to replace the current “non-system” of separate programs and fragmented services puts local officials in a better position to link their public education, workforce and economic development initiatives to the benefit of all. Bringing these three highly interdependent systems closer together enhances local areas’ ability to attract and maintain the high-wage jobs so essential to their economic survival.

By choosing to implement the new law, local officials assume a strategic role in workforce development. To their administrative responsibilities for JTPA, they add responsibility for the broader policy development, planning and oversight of all the workforce programs operating in their areas. In this new role, local officials set the desired direction, design the local delivery system and evaluate the results of programs within a framework of statewide goals, performance measures and other requirements set out by the new state council, to which they are directly accountable.

Administrative responsibilities for the other workforce programs remain, however, with the appropriate state or local agencies, and they continue to be directly accountable to their funding sources. This delineation of management responsibilities decentralizes strategic decision making for local workforce programs but holds local officials fiscally accountable only for the day-to-day operations of JTPA.

This marks a profound shift of power that local officials will find attractive, once they clearly understand it, because it offers them more control over federal and state programs operating in their areas without the direct fiscal accountability and all the hassles and bad press that inevitably come with administering these tightly regulated programs. In fact, after reflecting on this opportunity, a number of local officials are likely to try shifting their administrative responsibilities for JTPA to someone else.

Implementing Senate Bill 642 also brings local officials a once in a lifetime opportunity to build local workforce systems that are independent of any single federal or state funding source. When funded from multiple sources—public as well as private—such systems are inherently more flexible and more responsive to the local labor market needs of employers, students and workers. This opportunity alone represents a radical departure from the past, when every federal or state-funded workforce program has required separate management and service delivery structures for its local implementation.

In addition to being first in line for additional funding—though it may be limited—local areas implementing the new law will get priority consideration for waivers from laws and regulations that currently inhibit their efforts to build

integrated systems. While the extent of waiver granting authority at the state level is uncertain, proposed federal legislation gives the secretary of labor broad discretion to grant waivers of federal laws and regulations to local areas responding to the department's program integration initiatives. The prospect of waivers should be encouraging, particularly to those officials seeking more local flexibility in system design and service delivery.

Limits on Local Option

As long as any funding for workforce development comes from federal and state sources, there will be some accompanying limits on local authority. Senate Bill 642 is no exception. While the bill offers an opportunity to shift more authority and control to the local level, it also sets out clear limits on local authority. These requirements, however, are not imposed arbitrarily. They are carefully crafted to build an effective workforce system that better serves the labor market needs of employers and workers throughout the state. The requirements include the following:

- Local elected officials in a designated area must agree to establish a single workforce development board consistent with the provisions of the law. The new board must assume the functions and responsibilities of all other local workforce advisory bodies in the area, effectively abolishing these separate boards, councils and committees.⁷ The composition of the board as well as the procedures for selecting individual members are also detailed in the law.
- The board must be supported by staff separate from and independent of any organization providing workforce development services in the area.
- The board must develop plans and design systems within the framework of the statewide goals, objectives and performance measures set out by the state council and approved by the governor.

⁷Local bodies losing their separate status and identity include private industry councils, quality workforce planning committees and job service employer committees.

- The local workforce development board cannot be a direct provider of services.
- Local elected officials must agree to adopt the one-stop approach to service delivery outlined in the bill.⁸
- Local officials are required to plan, design and operate a workforce system for the entire labor market area as designated by the governor. (The bill, however, does not define the term “labor market area,” leaving interpretation up to the state council and governor. Unfortunately, this has proven to be a source of contention affecting the designation of local workforce areas in the larger urban areas of the state.)

It is also important to note that a decision to implement Senate Bill 642 does not relieve local officials from the arcane regulations associated with each of the workforce programs underwriting the local system. Though they are not administratively responsible for the other workforce programs, their local systems building efforts will also be thwarted by the requirements that accompany these programs. Over time, however, as local systems evolve and workforce funding becomes more flexible and diversified, federal and state requirements will have less impact.

Local Option in Texas

Local option is both the most important and the most frustrating feature of Senate Bill 642. It is important because it guarantees that local participation is voluntary. If local officials in an area respond affirmatively, the new system will be implemented. If not, workforce programs continue to operate as usual in that area.

⁸Under the bill, local elected officials may request waivers of the independent staff and direct service provider provisions, but they must provide justification for not being able to meet these requirements. It is clear that waivers are to be granted only in exceptional cases where there are no other viable alternatives.

The voluntary participation of local elected officials is critical to building the kind of intergovernmental workforce development system envisioned in the bill. Its importance stems from the realization that specific programs designed elsewhere and unilaterally imposed on local governments generally do not work well. No matter how well intentioned, such programs are always viewed as federal or state initiatives. Local officials respond to such programs by meeting whatever requirements they must to ensure that the money comes to their areas, but they seldom buy in at any level beyond minimal compliance or claim the administrative structures created for the programs as their institutions. As a result, the programs never enjoy broad-based local support or funding sustained at a high enough level for long-term success.

This kind of grudging response would not bring about the type of local system building required for the successful implementation of Senate Bill 642. To be successful, local participation must be voluntary. It can be encouraged and rewarded by the federal or state governments, but in the end local elected officials must commit to any intergovernmental partnership voluntarily. Anything less will result in a repetition of past experiences.

On the other hand, the local option provision is frustrating because the bill will not be implemented in areas of the state where local elected officials choose not to participate. This possibility especially frustrates state policy makers trying to quickly build a statewide system that will improve the quality of workforce services and bring more high-wage jobs to Texas.

In the long run, however, local option is the only way to develop a truly effective intergovernmental system. This provision will force local elected officials to buy in at a higher level and foster a degree of cooperation that results in a more effective workforce development system for the state and offers local officials greater flexibility to design systems that best serve the needs of their areas.

Given the local option feature, the magnitude of the changes required and the small constituency supporting an integrated system, successful implementation of Senate Bill 642 will require strong leadership from the state. This responsibility falls directly on the governor and TCWEC. Together and in

consultation with the legislative leadership, they must create a supportive environment for change by:

- Clearly and consistently articulating a shared vision of an integrated workforce system—the structure, the major components, the key actors, how the system will work and the expected benefits;
- Setting strategic goals and performance measures for the state’s workforce system to guide state and local planning and evaluation efforts;
- Taking whatever steps are necessary to consolidate workforce program funding sources in the fewest possible number of state agencies;
- Providing financial incentives to encourage and support local planning and implementation efforts consistent with Senate Bill 642, particularly those local efforts that are serving entire labor market areas and providing the broadest array of workforce services through the one-stop approach;
- Working with the state legislative leadership, agency boards and commissions to ensure that state agencies provide workforce services in accordance with state approved, local plans;
- Providing education, training and technical assistance to support the state and local capacity building efforts necessary to effectively implement the bill; and,
- Serving as advocates for local officials at the state and federal levels to obtain waivers from existing legislation and seek changes in federal laws which support local systems development efforts.

Conclusion

Even with strong state leadership, building the integrated workforce system envisioned in Senate Bill 642 is a tall order. On short notice and with limited information, local officials are being asked to move from the known to the unknown, from their role as administrators of local JTPA programs to a new and untested role as strategic planners, overseers and evaluators of all workforce training and services in their area. Many important questions about the nature of the new system and how it will operate in any given local area cannot be answered with certainty. To implement the bill, local officials will have to take a leap of faith. Not surprisingly, there is a strong tendency to let someone else go first.

But now is the time for the most daring and visionary local officials in Texas to step up, take advantage of the opportunities and accept the challenges. As is usually the case, those few who lead the way are most likely to enjoy the greatest returns.