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 on the [Skills Development Fund Webpage](#). Any questions about this document can be directed to **Skills@twc.texas.gov**.

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 Employer Engagement and Community Outreach Team at: 877-463-1777 or email **Skills@twc.texas.gov**.

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 proposal 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 it contains all the required components. Extensive and/or multiple clarifications required during the review process may affect the evaluation timeline. Applicants are also able to check the status of their project in the LOTS system. Once logged into the system, the applicant should see all grants tied to their organization in the Project List table. The project status is a column within this table and will display the current status of all projects in the list. Below the Project List table is a Project Status Legend that will provide a brief description of each project status type.

3. Q: Who are eligible grant recipients?
   A: Eligible grant recipients include:
   - Public community colleges;
   - Public technical colleges;
   - Texas Engineering Extension Service (TEEX);
   - Local Workforce Development Boards (Boards); 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 and private non-profit businesses are the primary business types that can be a partner in an SDF project. Public entities and agencies cannot be partners in an SDF project. Questions regarding eligibility can be sent to.

5. Q: Who is an eligible training provider?
   A: Eligible training providers include:
   - Public community colleges;
   - Public technical colleges;
   - 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 an eligible grantee 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.

7. Q: Are Local Workforce Development Boards eligible grant recipients for the Skills Development Fund?
A: Yes, however, Boards cannot provide direct training services and must contract with another entity to administer the training, preferably the local community or technical college. Boards should contact the Employer Engagement and Community Outreach team at **Skills@twc.texas.gov** for assistance with their application.

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 that are not Boards 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, design, and scheduling of the proposed training project. They identify training needs that require a **customized approach and assist the eligible applicant by** providing the required demographic information about the company, employment benefits for workers in the proposed project, trainee job titles, trainee Standard Occupational Classification Codes (SOC), social security numbers and actual current wage information. Job descriptions from the actual job posting is often required to ensure the SOC codes are correct. It is essential that the college and TWC outreach staff maintain active stakeholder engagement with the business to ensure a smooth and efficient pathway to final submittal. A memorandum of understanding (MOU) between the business and the applicant is also required as part of the application documentation.

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. The Texas Workforce Commission (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 applicant must identify all sources of funding for the proposed project, including resource contributions the private partner is

willing to commit to the project. Additionally, trainees must be paid while they are trained so their salary and benefits must be added to the 'In Kind' portion of the application.

12. Q: How is the financial stability of a business determined?
A: TWC uses LexisNexis Accurint to evaluate the financial status of a business. When information for a business is not available on this database, TWC may 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, there is an opportunity which targets businesses with 1-99 employees. Information on this opportunity can be found on the Skills for Small Business page.

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.

15. Q: How can TWC's Employer Engagement and Community Outreach team at TWC assist in the development of an SDF proposal?
A: The EECO Team can help convene meetings between training providers, applicants and interested businesses. Staff will provide technical assistance during the project development phase and in completing web-based online application. To request technical assistance, call 877-463-1777 or email **Skills@twc.texas.gov.**

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. Unless the training is allowable proprietary, the college may offer these newly developed courses to other clients at the discretion of the college after the conclusion of the grant.

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 TAC §803.13, 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 within a six-month period prior to the date of submission of the application with all required documents and who will receive training through the proposed project. It also includes those individuals who are hired during the contract period and will receive training with grant funds.

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 Information (LMI) department provides data sources to determine prevailing wage for local areas. Occupational wage information is available for the 28 Workforce Development Areas (WDAs) by downloading the publication found on the [TWC Labor Market Information Webpage](#) under Popular Downloads. Since this data is updated periodically throughout the year, The Division of Outreach and Employer Initiatives benchmarks this data at the beginning of each fiscal year and will use the benchmarked data in project evaluations. Your regional business liaison can provide you with the benchmarked data.

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: CIP is an acronym for Classification of Instructional Programs. This 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](#).

25. Q: What is a NAICS code?

A: The North American Industry Classification System (NAICS) 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 on the U.S. Census Bureau Website.

26. Q: What is a SOC code?

A: SOC is an acronym for Standard Occupational Classification Code. SOC 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 on the U.S. Bureau of Labor Statistics Website. In evaluating your project, our evaluations team will consider your internal job title. The job description (as in, the original job posting for the job title) may be required for an accurate assessment of the appropriate SOC code, which, in turn, will determine the prevailing wage for that trainee.

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 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 the Texas Industry Profiles Webpage.

28. Q: What is the "Target 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 many existing jobs. Each Board develops an area-specific list that is available to the public. **View the current statewide Target Occupations here;** you may view local targeted occupations via your local workforce solutions webpage or by contacting your local Workforce Solutions Office.

29. Q: The business partner will be asked 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 of 1% increase.

30. Q: Can SDF funds be used for Adult Education and Literacy (AEL)?

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. However, in developing the project, your business liaison will research the area to determine if there is an AEL training program already in place. AEL will take priority over the SDF project.

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, brick and mortar and drug test costs are not allowable expenditures.
In addition, the Skills Development Fund may not be used:
- To pay the training costs and related costs of an employer that relocates the employer's worksite from one place in Texas to another
- For the purchase of any proprietary or production equipment required for the training project of a single local employer
- For trainees' wages
- To pay for trainee or instructor travel costs or trainee drug tests

32. Q: Is the purchase of proprietary or production equipment allowed?
A: Requests will be reviewed on a case-by-case basis. Equipment purchases through SDF funding is only considered when the grantee is a technical or community college. Workforce Boards will not be allowed to purchase equipment **unless** they partner with a technical or community college that will keep and use the equipment after the grant has expired. The equipment cannot be proprietary to the business receiving the training and it must be directly tied to the actual training within the SDF project. Equipment such as computers, smart boards, VR headsets, projectors and the like are not eligible to be included in the project cost.

33. Q: What is the average cost per trainee in an SDF project?
A: The average cost target for an SDF trainee is $2,000, 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 must include a detailed 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 an 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 eligible applicant and such a training provider, the Agency does not require any further procurement documentation for such training providers if they are identified in the proposal, and the organization has followed its own procurement requirements.

35. Q: Can SDF funds be used to pay for training that is delivered through distance learning?

A: SDF funds can be used to pay for training that is delivered through distance learning; the grantee will be responsible for assuring a learning management system (LMS) will track participant training.

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.

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 program 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 exclusive to a particular business partner and cannot be shared or provided to other area businesses. It is NOT customized training. Up to 50% of the initial training can be **proprietary** training provided by the business. If there is a second project (within 3 years after the contract expires) for training, no more than 25% of that training can be proprietary. If none of the courses are proprietary, then none of the training can be done by the business.

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' SSN. TWC has always required SSNs for reporting purposes and has never allowed substitute numbers (e.g., employee numbers) to be used. The SSNs are used to confirm the identity of the trainees receiving the training. 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 off on the project, 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 must 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 staff, Local Workforce Development Board staff, and TWC grantees must ensure the security of personally identifiable and other sensitive information and maintain such information in accordance with TWC standards and security measures. TWC WD Letter 13-08 (Workforce Policy and Guidance | Texas Workforce Commission) issued April 1, 2008, and TWC WD Letter 13-13 (Workforce Policy and Guidance | Texas Workforce Commission) issued March 23, 2018, provide information on security measures that must be implemented to ensure the confidentiality and security of customers' personal identity data.

TWC uses a computer system called Learner Outcome Tracking System (LOTS) to track contractors' 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, they 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 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.

41. Q: Can an employer participate in multiple Skills Development Fund projects?
A: Concurrent participation in multiple SDF grants is not allowed.

42. Q: Can an employer participate in consecutive Skills Development Fund projects?
A: As the steward of the SDF program, TWC is tasked with ensuring the equitable distribution of funds throughout the state. Therefore, a business will not be able to participate in a new SDF project for a period of 6 months from the ending date of the most recent SDF contract in which it was a partner. This is also applicable for businesses that are amended into an existing contract. The only allowable exception is if a business is expanding and needs training for new employees.

43. Q: Are there any occupations that are not eligible to participate?

- A: Generally, the 11- series SOC codes are not eligible, however employees who are in the non-executive level positions (11-1000 SOC series such as C-suite, EVP's, and VP's) are eligible to be trained. Any other requested training for employees with an 11-000 SOC series can be considered case by case based their job description. 11-1xxx, 11-2xxx, and 11-3xxx SOC codes are ineligible, and 11-9xxx may be eligible on a case-by-case basis, depending on whom they manage. Basically, if a manager is managing other managers, they are not eligible to participate.