

## **CHAPTER 803. SKILLS DEVELOPMENT FUND**

**PROPOSED RULES TO BE PUBLISHED IN THE *TEXAS REGISTER*. THIS DOCUMENT WILL HAVE NO SUBSTANTIVE CHANGES BUT IS SUBJECT TO FORMATTING CHANGES AS REQUIRED BY THE OFFICE OF THE SECRETARY OF STATE.**

ON **DECEMBER 9, 2025**, THE TEXAS WORKFORCE COMMISSION PROPOSED THE RULES BELOW WITH PREAMBLE TO BE SUBMITTED TO THE *TEXAS REGISTER*.

Estimated Publication Date of the Proposal in the *Texas Register*: **December 26, 2025**

Estimated End of Comment Period: **January 26, 2026**

The Texas Workforce Commission (TWC) proposes amendments to the following sections of Chapter 803, relating to the Skills Development Fund:

Subchapter A. General Provisions Regarding the Skills Development Fund, §§803.1 - 803.3

Subchapter B. Program Administration, §803.14

### **PART I. PURPOSE, BACKGROUND, AND AUTHORITY**

The purpose of the proposed Chapter 803 rule change is to implement Senate Bill 856 (SB 856) as enacted by the 89th Texas Legislature, Regular Session, 2025. SB 856 amends Chapter 303 of the Texas Labor Code by adding the Texas A&M Engineering Experiment Station (TEES) as an eligible applicant for the Skills Development Fund.

### **PART II. EXPLANATION OF INDIVIDUAL PROVISIONS**

(Note: Minor editorial changes are made that do not change the meaning of the rules and, therefore, are not discussed in the Explanation of Individual Provisions.)

#### **SUBCHAPTER A. GENERAL PROVISIONS REGARDING THE SKILLS DEVELOPMENT FUND**

TWC proposes the following amendments to Subchapter A:

##### **§803.1. Scope and Purpose**

Section 803.1(a) is amended to add "the Texas A&M Engineering Experiment Station (TEES)" in accordance with SB 856.

##### **§803.2. Definitions**

Section 803.2(1)(B) is amended to add TEES to the definition of "Customized training project" in accordance with SB 856.

Section 803.2(2) is amended to add TEES to the definition of "Eligible applicant" in accordance with SB 856.

Section 803.2(4) is amended to add TEES to the definition of "Grant recipient" in accordance with SB 856.

Section 803.2(6) is amended to add TEES to the definition of "Private partner" in accordance with SB 856.

New §803.2(10) adds the definition of "Texas A&M Engineering Experiment Station."

Existing §803.2(10) is renumbered as §803.2(11).

Existing §803.2(11) is renumbered as §803.2(12) and amended to add TEES to the definition of "Training provider" in accordance with SB 856.

### **§803.3. Uses of the Fund**

Section 803.3(b) is amended to add TEES in accordance with SB 856.

## **SUBCHAPTER B. PROGRAM ADMINISTRATION**

TWC proposes the following amendments to Subchapter B:

### **§803.14. Procedure for Requesting Funding**

Section 803.14(d) and (h)(6) and (8) are amended to add TEES in accordance with SB 856.

## **PART III. IMPACT STATEMENTS**

Chris Nelson, Chief Financial Officer, has determined that for each year of the first five years the rules will be in effect, the following statements will apply:

There are no additional estimated costs to the state or local governments expected as a result of enforcing or administering the rules.

There are no estimated cost reductions to the state or local governments as a result of enforcing or administering the rules.

There are no estimated losses or increases in revenue to the state or local governments as a result of enforcing or administering the rules.

There are no foreseeable implications relating to costs or revenue of the state or local governments as a result of enforcing or administering the rules.

There are no anticipated economic costs to individuals required to comply with the rules.

There is no anticipated adverse economic impact on small businesses, microbusinesses, or rural communities as a result of enforcing or administering the rules.

Based on the analyses required by Texas Government Code, §2001.024, TWC has determined that the requirement to repeal or amend a rule, as required by Texas Government Code, §2001.0045, does not apply to this rulemaking.

### Takings Impact Assessment

Under Texas Government Code, §2007.002(5), "taking" means a governmental action that affects private real property, in whole or in part or temporarily or permanently, in a manner that requires the governmental entity to compensate the private real property owner as provided by the Fifth and Fourteenth Amendments to the US Constitution or the Texas Constitution, Article I, Section 17 or Section 19, or restricts or limits the owner's right to the property that would otherwise exist in the absence of the governmental action, and is the producing cause of a reduction of at least 25 percent in the market value of the affected private real property, determined by comparing the market value of the property as if the governmental action is not in effect and the market value of the property determined as if the governmental action is in effect. TWC completed a Takings Impact Assessment for the proposed rulemaking action under Texas Government Code, §2007.043. The primary purpose of this proposed rulemaking action, as discussed elsewhere in this preamble, is to implement SB 856 as enacted by the 89th Texas Legislature.

The proposed rulemaking action will not create any additional burden on private real property or affect private real property in a manner that would require compensation to private real property owners under the US Constitution or the Texas Constitution. The proposal also will not affect private real property in a manner that restricts or limits an owner's right to the property that would otherwise exist in the absence of the governmental action. Therefore, the proposed rulemaking will not cause a taking under Texas Government Code, Chapter 2007.

### Government Growth Impact Statement

TWC has determined that during the first five years the rules will be in effect, they:

- will not create or eliminate a government program;
- will not require the creation or elimination of employee positions;
- will not require an increase or decrease in future legislative appropriations to TWC;
- will not require an increase or decrease in fees paid to TWC;
- will not create a new regulation;
- will not expand, limit, or eliminate an existing regulation;
- will not change the number of individuals subject to the rules; and
- will not positively or adversely affect the state's economy.

### Economic Impact Statement and Regulatory Flexibility Analysis

TWC has determined that the rules will not have an adverse economic impact on small businesses or rural communities, as the proposed rules place no requirements on small businesses or rural communities.

Mariana Vega, Director, Labor Market Information, has determined that there is not a significant negative impact upon employment conditions in the state as a result of the rules.

Mary York, Director, Workforce Development Division, has determined that for each year of the first five years the rules are in effect, the public benefit anticipated as a result of enforcing the proposed rules will be to expand the pool of eligible applicants for the Skills Development Fund.

TWC hereby certifies that the proposal has been reviewed by legal counsel and found to be within TWC's legal authority to adopt.

#### **PART IV. COORDINATION ACTIVITIES**

TWC informed Local Workforce Development Boards (Boards) of the rulemaking through the regularly scheduled conference calls with representatives from all Boards. The Boards were also advised of their opportunity to submit comments during the public comment period.

#### **PART V. REQUEST FOR IMPACT INFORMATION**

TWC requests, from any person required to comply with the proposed rules or any other interested person, information related to the cost, benefit, or effect of the proposed rules, including any applicable data, research, or analysis. Please submit the requested information to [TWCPolicyComments@twc.texas.gov](mailto:TWCPolicyComments@twc.texas.gov) no later than January 26, 2026.

#### **PART VI. PUBLIC COMMENTS**

Comments on the proposed rules may be submitted to [TWCPolicyComments@twc.texas.gov](mailto:TWCPolicyComments@twc.texas.gov) and must be received no later than January 26, 2026.

#### **PART VII. STATUTORY AUTHORITY**

These rules are proposed under Texas Labor Code, §301.0015(a)(6) and §302.002(d), which provide TWC with the authority to adopt, amend, or repeal such rules as it deems necessary for the effective administration of TWC services and activities.

The proposed rules relate to Title 4, Texas Labor Code, particularly Chapter 303.

## CHAPTER 803. SKILLS DEVELOPMENT FUND

### SUBCHAPTER A. GENERAL PROVISIONS REGARDING THE SKILLS DEVELOPMENT FUND

#### §803.1. Scope and Purpose.

- (a) Purpose. The purpose of the Skills Development Fund is to develop customized training projects for businesses and trade unions and to support employers expanding or relocating to Texas by enhancing the ability of public community and technical colleges, Local Workforce Development Boards (Boards), ~~and~~ the Texas A&M Engineering Extension Service (TEEX), [and the Texas A&M Engineering Experiment Station \(TEES\)](#) to respond to industry and workforce training needs and to develop incentives for Boards, public community and technical colleges, TEEX, [TEES](#), or community-based organizations to provide customized assessment and training in a timely and efficient manner.
- (b) Goal. The goal of the Skills Development Fund is to increase the skills level and wages of the Texas workforce.

#### §803.2. Definitions.

In addition to the definitions contained in §800.2 of this title, the following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise.

- (1) Customized training project--A project that:
  - (A) provides workforce training, with the intent of either adding to the workforce or preventing a reduction in the workforce, and is specifically designed to meet the needs and special requirements of:
    - (i) employers and employees or prospective employees of the private business or business consortium; or
    - (ii) members of the trade union; and
  - (B) is designed by a private business or business consortium, or trade union in partnership with:
    - (i) a public community college;
    - (ii) a technical college;
    - (iii) TEEX;
    - (iv) [TEES](#);

- (v) ~~(iv)~~ a Board; or
  - (vi) ~~(v)~~ a community-based organization only in partnership with the public community and technical colleges, ~~or~~ TEEX, or TEES.
- (2) Eligible applicant--An entity identified in Texas Labor Code, Chapter 303, as eligible to apply for funds:
  - (A) a public community college;
  - (B) a technical college;
  - (C) TEEX;
  - (D) TEES;
  - (E) ~~(D)~~ a Board; or
  - (F) ~~(E)~~ a community-based organization only in partnership with the public community and technical colleges, ~~or~~ TEEX, or TEES.
- (3) Executive director--The executive director of the Texas Workforce Commission.
- (4) Grant recipient--A recipient of a Skills Development Fund grant that is:
  - (A) a public community college;
  - (B) a technical college;
  - (C) TEEX;
  - (D) TEES;
  - (E) ~~(D)~~ a Board; or
  - (F) ~~(E)~~ a community-based organization only in partnership with the public community and technical colleges, ~~or~~ TEEX, or TEES.
- (5) Non-local public community and technical college--A public community or technical college providing training outside of its local taxing district.
- (6) Private partner--A sole proprietorship, partnership, corporation, association, consortium, or private organization that enters into a partnership for a customized training project with:

(A) a public community college;

(B) a technical college;

(C) TEEX;

(D) TEES;

(E)~~(D)~~ a Board; or

(F)~~(E)~~ a community-based organization only in partnership with the public community and technical colleges, ~~or~~ TEEX, or TEES.

(7) Public community college--A state-funded, two-year educational institution primarily serving its local taxing district and service area in Texas and offering vocational, technical, and academic courses for certification or associate's degrees.

(8) Public technical college--A state-funded coeducational institution of higher education offering courses of study in vocational and technical education, for certification or associate's degrees.

(9) Texas A&M Engineering Extension Service (TEEX)--A higher education agency and service established by the Board of Regents of the Texas A&M University System.

(10) Texas A&M Engineering Experiment Station (TEES)--A higher education agency and station established by the Board of Regents of the Texas A&M University System.

(11)~~(10)~~ Trade union--An organization, agency, or employee committee in which employees participate and which exists for the purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

(12)~~(11)~~ Training provider--An entity or individual that provides training, including:

(A) a public community college;

(B) a technical college;

(C) TEEX;

(D) TEES;

~~(E)(D)~~ a community-based organization only in partnership with the public community or technical college, ~~or~~ TEEX, or TEES; or

~~(F)(E)~~ An individual, sole proprietorship, partnership, corporation, association, consortium, governmental subdivision, or public or private organization with whom a Board, public community or technical college, ~~or~~ TEEX, or TEES, has subcontracted to provide training.

### **§803.3. Uses of the Fund.**

- (a) The Skills Development Fund may be used by a grant recipient as start-up or emergency funds for the following purposes:
  - (1) to develop customized training projects for businesses and trade unions; and
  - (2) to sponsor small and medium-sized business networks and consortiums for the purpose of developing customized training.
- (b) TEEX and TEES training activities shall focus on projects that are statewide or are not available from a local public community and junior college district, a local technical college, or a consortium of public community and junior college districts. In developing such projects, TEEX or TEES may participate in a consortium of public community and junior college districts or with a technical college that provides training under Texas Labor Code, Chapter 303.
- (c) Technical college training activities shall focus on projects that are not available from a local public community college, except in the technical college's local service area, and shall be encouraged to focus on projects that are statewide.
- (d) The Skills Development Fund may not be used:
  - (1) to pay the training costs and related costs of an employer that relocates the employer's worksite from one place in Texas to another;
  - (2) for the purchase of any proprietary or production equipment required for the training project of a single local employer;
  - (3) for wages for trainees; or
  - (4) to pay for trainee or instructor travel costs or trainee drug tests.
- (e) The Skills Development Fund may not be used to pay for the lease of equipment if any one of the following four criteria is characteristic of the lease transaction:
  - (1) The lease transfers ownership of the equipment to the lessee at the end of the lease term;



- (2) The lease contains a bargain purchase option;
- (3) The lease term is equal to 75 percent~~%~~ or more of the estimated economic life of the leased equipment; or
- (4) The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent~~%~~ of the fair value of the leased equipment.

## **SUBCHAPTER B. PROGRAM ADMINISTRATION**

### **§803.14. Procedure for Requesting Funding.**

- (a) An eligible applicant shall present to the executive director or his or her designee, an application for funding, in order to acquire grant funds for the provision of customized training as may be identified by the eligible applicant. Except as provided in subsection (b) of this section, the eligible applicant will request the review and comments of the Board in the applicable workforce area(s), where there is a significant impact on job creation or incumbent worker training, and submit these comments to the executive director or his or her designee with the application for funding.
- (b) An eligible applicant is not required to obtain or provide the comments if the Board informs the applicant that the Board is preparing an application or has submitted an application that has not been approved or rejected. A Board is not required to comment on its own applications.
- (c) An eligible applicant shall submit any updates to the original application for funding in accordance with subsections (a) and (b) of this section.
- (d) TEEX, TEES, or the public community or technical college that is a partner to a training proposal for a grant from the Skills Development Fund, may be non-local.
- (e) The training proposal shall not duplicate a training project available in the workforce area in which the private partner or trade union is located.
- (f) Proposals shall disclose other grant funds sought or awarded from the Agency or other state and federal entities for the proposed job training project.
- (g) Applicants shall indicate whether they are submitting concurrent proposals for the Skills Development Fund and the Texas Enterprise Fund. For the purposes of this subsection, "concurrent proposal" shall mean:
  - (1) a proposal for the Skills Development Fund that has been submitted and is pending at the time an applicant submits a proposal for the Texas Enterprise Fund; or

- (2) a proposal for the Texas Enterprise Fund that has been submitted and is pending at the time an applicant submits a proposal for the Skills Development Fund.

(h) Proposals shall be written and contain the following information:

- (1) The number of proposed jobs created and/or retained;
- (2) A brief outline of the proposed training project, including the skills acquired through training and the employer's involvement in the planning and design;
- (3) A brief description of the measurable training objectives and outcomes;
- (4) The occupation and wages for participants who complete the customized training project;
- (5) A budget summary, disclosing anticipated project costs and resource contributions, including the dollar amount the private partner is willing to commit to the project;
- (6) A signed agreement between the private partner or trade union and the Board, public community or technical college, ~~or~~ TEEX, or TEES outlining each entity's roles and responsibilities if a grant is awarded;
- (7) A statement explaining the basis for the determination that there is an actual or projected labor shortage in the occupation in which the proposed training project will be provided that is not being met by an existing institution or program in the workforce area;
- (8) A comparison of costs per trainee for the customized training project and costs for similar instruction at the public community or technical college, TEEX, TEES, and the Board;
- (9) A statement describing the private partner's or trade union's equal opportunity employment policy;
- (10) A list of the proposed employment benefits;
- (11) An indication of a concurrent proposal as required by subsection (g) of this section; and
- (12) Any additional information deemed necessary by the Agency to complete evaluation of a proposal.

- (i) An applicant may, with the approval of the executive director or his or her designee, submit a proposal for funding that does not contain or identify all of the required elements under subsection (h) of this section. The release of any funding is contingent upon the applicant's submission, and the Agency's approval, of all the required elements in subsection (h) of this section.