

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS WORKFORCE COMMISSION
AUSTIN, TEXAS

PERFORMANCE MEASURES)
FOR THE TEXAS)
WORKFORCE COMMISSION)

COMMISSION MEETING

TUESDAY, JANUARY 25, 2011

BE IT REMEMBERED that at 1:31 p.m., Tuesday,
the 25th day of January, 2011, the above-entitled
matters came on for hearing at the Texas Workforce
Commission, TWC Building, 101 East 15th Street, Room
244, Austin, Texas, before TOM PAUKEN, RONALD G.
CONGLETON, and ANDRES ALCANTAR, COMMISSIONERS, and LARRY
TEMPLE, EXECUTIVE DIRECTOR, of the Texas Workforce
Commission; and the following proceedings were reported
by Kristi Morehouse, a Certified Shorthand Reporter in
and for the State of Texas.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

TEXAS WORKFORCE COMMISSIONERS:

Tom Pauken, Chairman
Andres Alcantar
Ronald G. Congleton

TEXAS WORKFORCE COMMISSION STAFF:

Larry E. Temple, Executive Director
H. E. (Gene) Crump, Jr., Deputy Executive Director
LaSha Lenzy, Director of UI and Regulation
Tom McCarty, Director of External Relations
Johnathan Babiak, Interim Director of the Civil
Rights Division
Richard C. Froeschle, Deputy Director of LMCI
Randy Townsend, Chief Financial Officer
Reagan Miller, Workforce Development Division
Adam Leonard, Performance Analysis and Reporting

REPORTER'S CERTIFICATE 38

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

P R O C E E D I N G S

TUESDAY, JANUARY 25, 2011

(1:31 p.m.)

MR. CRUMP: Good afternoon. Good afternoon, Commissioners. It's our quarterly performance review and, as usual, we'll follow the standard format. Rich, if you'd lead off with the economic situation report.

MR. FROESCHLE: I get to have all the fun here, don't I? I'm Rich Froeschle. I'm the Director of the Labor Market and Career Information Department here at the agency. I've prepared just a few brief remarks today. I've given you copies of my remarks, some charts that are underneath it, and a copy of our Texas Labor Market Review news letter that went to press last Friday with our release. And those -- all those materials should be there as part of your handouts.

There's three kind of presentations that I usually do. And there's those when the economy is doing very well, and that's easy because you can talk about how great job growth is going. And then, when the economy is doing badly, that's easy to talk about because you say, well, the economy is just doing badly. And then there's the third kind, which is the kind that says, well, the economy is doing good sometimes, less well other times;

1 some industries are doing well, some sectors are doing
2 well, others less so. And we're in one of those periods
3 right now.

4 So I titled this discussion here: The
5 Good News with certain headwinds as we go into January of
6 2011. And actually, I'd love to be able to talk about
7 the good news first. And so, both the money economy and
8 the job market are expanding, and that's good news for
9 all of us. Christmas retail spending was very robust.
10 So for those of you that went to the mall and spent a lot
11 of time and a lot of money, congratulations. You're good
12 citizens.

13 The S&P 500 is increased by 18.9 percent
14 since -- since January of 2010. That's increased the
15 wealth effect, which means consumers feel a little
16 more -- a little wealthier, and have gone out and spent a
17 little bit more money. The personal savings rate,
18 however, is up to 5.3 percent nationwide; which is a very
19 interesting number. It's higher than it's been in about
20 ten years, which tells us that consumers are, again,
21 doing some deleveraging, offsetting the loss of almost
22 12.3 trillion dollars in wealth during the recession.

23 Personal income of employed persons has
24 increased slightly. In Texas, that means the 2009 per
25 capita income of about 36,000 -- little over \$36,000, was

1 actually down 3.5 percent from 2008. But overall,
2 consumer confidence has increased slightly during the
3 fourth quarter. And consumer confidence is a very
4 important measure of a consumption-driven economy.

5 As far as the -- the December numbers are
6 concerned, Texas added 20,000 payroll jobs in December of
7 2010. The year over year seasonally adjusted total job
8 growth was about 230,800. That's a very nice number.
9 Texas actually led the nation both in the November to
10 December period and over the year to year period in job
11 growth.

12 And while that pace is much better than
13 any -- anything else, any other state in the United
14 States, it's still much more sluggish than one might
15 expect at this stage in a recovery. We should be seeing
16 job growth -- job growth numbers historically in the --
17 in the 4 or 5 percent range or higher, even. And it's a
18 lot better than -- it's a lot better than the U.S. -- the
19 United States as a whole.

20 The Texas unemployment rate remains sort
21 of stubbornly high at a seasonally adjusted rate for
22 December of 8.3 percent. The route 2010, the rate pretty
23 much vacillated between 8.1 and 8.3 percent. And while
24 Texas continued to add jobs, the civilian labor force
25 grew almost as fast. Texas added about 164,000 year over

1 year to the civilian labor force, which is an average of
2 about 13,6 per month. But interestingly, if you go back
3 and you look at the last 36 months, what you see is we've
4 added an average of about 18,886 to our civilian labor
5 force. Which, if we want to keep all those folks
6 employed, means our job growth rate is going to have to
7 exceed that pace in order to bring that unemployment rate
8 down some.

9 Let me get a little bit into some of the
10 sectors. The Texas-goods producing industries has a
11 surprise to the upside. I think the first chart in your
12 stack, which would be probably Page 4, shows some index
13 job growth in the goods producing sectors. You see --
14 you see construction, mining, and manufacturing all ran
15 up very nicely during the expansive period of 2006
16 through 2008; took precipitous drops, then, in the -- in
17 late 2008, 2009; and then have -- have actually rebounded
18 very nicely, including manufacturing. Mining is back up;
19 construction back up; not near to the levels of
20 prerecession, but certainly coming back up as a whole.

21 The vast majority of the manufacturing
22 employment gains have been in fabricated metals and
23 agriculture construction-related machinery construction.
24 You'll also note, then, on that Goods Producing table
25 that construction and mining have also done really --

1 done relatively well and added significant numbers of
2 jobs.

3 On the services side of the ledger --

4 CHAIRMAN PAUKEN: Let me just -- let me
5 just ask you, you got manufacturing. I'm looking at the
6 chart. Oh, excuse me. You've got manufacturing. I'm
7 looking at the chart. I mean, it's down from 95, and --
8 but you said it's looking up. Does that just mean from
9 January 10 through January 11?

10 MR. FROESCHLE: Yeah. I'm looking at --
11 at down the -- probably the fall of 2009. And that
12 little pickup there between 2009 and -- and through 2010,
13 is the pickup that I'm referring to.

14 CHAIRMAN PAUKEN: Okay.

15 MR. FROESCHLE: What's surprising, if you
16 look at the overall trend, you go back to 1995, we really
17 hadn't seen manufacturing adding too many new jobs. And
18 so you've seen that inventory replacement cycle kick in.
19 You've seen the manufacturing sector with a weak dollar
20 on a national basis. You've seen emerging markets buying
21 a lot of those projects. You have seen the manufacturing
22 sector kick in a little bit.

23 And it's -- it's very interesting since
24 we've probably lost around 100,000 jobs combined in 2008
25 and 2009, to see that little turnaround then in 2010. So

1 that's a pretty good piece of -- pretty -- it's a piece
2 of pretty good news.

3 CHAIRMAN PAUKEN: But it's a pretty
4 revealing figure. They all started out even in 1995, and
5 of course construction, total nonagricultural, and mining
6 all have gone up while manufacturing has slid downward.

7 MR. FROESCHLE: I think that's true. On,
8 yeah, on -- on net -- an index chart like this, on net,
9 that would be true.

10 CHAIRMAN PAUKEN: Yeah.

11 MR. FROESCHLE: Sure, we've been shedding
12 manufacturing jobs for years. And so this little -- this
13 little upturn here in the last -- in the last, you know,
14 probably twelve months. In fact, the Dallas Fed -- the
15 Dallas Fed's Manufacturing Survey has had some pretty
16 good news lately in terms of overall order activity and
17 the like. So --

18 CHAIRMAN PAUKEN: Good.

19 MR. FROESCHLE: -- I think that would
20 corroborate this.

21 CHAIRMAN PAUKEN: Okay.

22 MR. FROESCHLE: On the services side, I
23 think we've all heard that education and health services
24 have pretty much dominated that sector. It kind of took
25 a breather in -- in December; didn't add any -- in fact,

1 lost a few thousand jobs. But education and health
2 services was the major contributor -- was a major
3 contributor to the 2010 employment growth. Most of that
4 job growth occurred in health care and social assistance,
5 adding a net 47,000 jobs year over year.

6 When people talk about the national
7 recession, what's going on in the national recession as a
8 whole, they're always referring back to housing. In
9 fact, if you saw the Case-Shiller numbers again today,
10 what you'll see is the valuations dip a little bit in
11 December, as well.

12 I put a -- what I think is an interesting
13 chart together, also, on Texas Real Estate activity. And
14 one of the things that you see, one of the things that
15 has helped Texas sort of weather this recession, is that
16 the valuations of Texas single-family units has stayed
17 very high. In fact, it's continued to shift upwards.
18 The discouraging part of that is -- is single-family unit
19 permits have continued to -- or dropped precipitously
20 during the recession and then have sort of just leveled
21 out at a low level. Getting that new housing activity,
22 getting that permitting activity, will be -- be very
23 important for us then to resurrect our construction
24 sector as a whole.

25 Total employment in personnel supply

1 services. We always talk about personnel supply services
2 as being the leading economic indicator. We'd like to
3 see it go up. We've actually added 25,600 jobs year over
4 year. And this is, indeed, good news because we're in
5 a -- essentially, what it means is -- is that businesses
6 are thinking that the economy is recovering. It's sort
7 of uncertain, but they're feeling better about it. They
8 hire some temporary workers. Historically, we've seen
9 that temporary, or that increase in personnel supply
10 services, to really mean that it just is portending the
11 additional full-time equivalents on the payroll. It's
12 just a matter of time. We're just lagging that.

13 I think what we're starting to see is that
14 there is evidence that suggests that this is also a
15 structural change in the way business does business.
16 And -- so it doesn't necessarily portend as it has,
17 probably at least over the last decade, that you're going
18 to see full-time equivalents in those same industries
19 pick up and that personnel supply services is just a
20 transition point along the way.

21 Not unlike personnel supply services,
22 truck transportation has always been viewed as a leading
23 economic indicator for us. And if you look at the
24 history associated with that, you also always see truck
25 transportation either lead -- lead on the upside or lead

1 on the downside. Interestingly, in the -- between 2009
2 and 2010, it led on the downside, but it has not led on
3 the upside in 2010. Which I think is kind of
4 interesting. We expect truck transportation to pick up
5 and sort of lead overall employment, and it hasn't
6 actually done that.

7 On another front, job opening activity.
8 What's going on out there? If we look at the help wanted
9 online job postings from the conference board, those are
10 up 57,100 from December 2009 to a seasonally adjusted
11 level of 309,582. Essentially, what that's telling us is
12 that online job postings that are associated with Texas
13 companies number about 309,000 out there in the state.
14 And that number is actually from yesterday, so we think
15 that's a fairly current number.

16 And actually, if you look at the last
17 twelve months -- in fact, I've included a chart here in
18 your handout, also, that looks at the -- the trend in
19 online job postings. And if you look at that, what you
20 see, the -- the help wanted online, you see it bottomed
21 out with the recession, went along the rocky bottom for a
22 while, and then it's really picked up a lot of steam.

23 So you would think that you would also see
24 a common downturn in the number of unemployed workers
25 that would go with that increase in job postings. Most

1 of us that are looking -- looking at these help wanted --
2 help wanted advertising job postings data believe that
3 that difference in the fact that the number of unemployed
4 persons is staying relatively stable despite a very rapid
5 expansion in the number of online job postings is
6 pointing to some structural imbalances and mismatches in
7 the economy, and we're looking at some of those.

8 Interestingly, about -- about 310,000,
9 about 62 percent, are in engineering and architectural
10 occupations, computer and mathematical occupations,
11 management occupations; and about five or six percent of
12 that is in administrative -- administrative services
13 kinds of occupations. So strong concentrations online
14 job openings, and some relatively high-skilled
15 occupational areas which does not necessarily match a lot
16 of the work that we see in our -- in our applicant pool.

17 CHAIRMAN PAUKEN: Okay. Explain again.
18 An indication of structural mismatches between
19 unemployment, unemployed worker skills, and employer
20 needs. You're saying the employer needs are more of the
21 higher level and there's a talent shortage there. Is
22 that what you're saying? Or is it --

23 MR. FROESCHLE: I am. I am saying that.
24 As a matter of fact, what we see -- what we see by and
25 large, if you look at the work -- in Texas applicants, if

1 you look at the highest education level achieved by those
2 people that are in work in Texas, a million-odd folks,
3 about 75 percent of them have as their highest education
4 level an associates degree or -- or less than an
5 associates degree. Of all those same online job postings
6 that we see here, almost 50 percent of them require an
7 associates degree or more. So from a pure education
8 standpoint, we do see some structural mismatches going on
9 in the economy.

10 CHAIRMAN PAUKEN: 75 percent --

11 MR. FROESCHLE: A little over 75 percent.

12 CHAIRMAN PAUKEN: -- of those --

13 MR. FROESCHLE: Closer to 80, actually.

14 CHAIRMAN PAUKEN: 80 percent of those --

15 MR. FROESCHLE: Less than an associates
16 degree.

17 CHAIRMAN PAUKEN: -- seeking work on our
18 site have less than an associates degree. And then 50
19 percent --

20 MR. FROESCHLE: Just short of 50 percent
21 of the job postings online that we've harvested through
22 the help wanted online series show a requirement of an
23 associates degree or higher.

24 CHAIRMAN PAUKEN: All right. Okay.

25 COMMISSIONER ALCANTAR: Is the 50 percent

1 number work in Texas or work in Texas and the Conference
2 Board?

3 MR. FROESCHLE: The Conference Board's job
4 postings include those that would be on work in Texas as
5 a subset of those. So yes, they would be a part of that.

6 COMMISSIONER ALCANTAR: Okay.

7 MR. FROESCHLE: Any other questions on
8 that? I know I got off of field, but it's kind of a very
9 interesting issue.

10 CHAIRMAN PAUKEN: Yes.

11 MR. FROESCHLE: As we go forward, we start
12 thinking about: Is it simply a matter of aggregate
13 demand going forward that we need to address, or are
14 there some serious structural mismatches in terms of
15 where the demand is and the skill set of the unemployed?
16 And some of us believe that there's a lot of the latter
17 that's going on in the economy.

18 I put a section here that says Additional
19 Headwinds. The -- the price of oil continues to rise.
20 Anybody that's filled up and paid more than three dollars
21 a gallon knows that it effects every consumer in the
22 United States and in Texas, equally. As a matter of
23 fact, for years, I tell the story all the time. When I
24 first got to Texas, I saw a bumper sticker that said:
25 Drive 90, freeze a Yankee. And that would -- used to

1 tell us that we were a counter-cyclical economy. And if
2 the price of oil went up, and we used a lot of oil, that
3 was good for the Texas economy.

4 If you look at this chart that our -- our
5 staff put together, what we see is Texas is just not that
6 different from -- from an industry composition
7 perspective. In fact, you look at those two pie charts,
8 and you look at them side by side, you really wouldn't
9 know which was which unless you spent a little time
10 looking at it.

11 So headwinds, like the price of oil, do
12 inhibit the purchasing power of Texas consumers in the
13 same way that they inhibit everybody else in the nation.
14 So that becomes a problem for us. Regulatory
15 uncertainties, political turmoil, conflicts over the role
16 of government, etc. Etc. Does add a little extra
17 uncertainty. The problem, it is slowing the job recovery
18 process.

19 To me, one of the most important issues
20 that we're dealing with is the fact that new hiring is a
21 function of a job's progression. And in fact, I've laid
22 out a progression in this handout where employers, the
23 first thing they do when they start seeing things picking
24 up a little bit is they start working their existing
25 workers a little more hours -- a few more hours. Then

1 they start turning part-time workers into full-time
2 workers, and then looking at temps. And working through
3 a progression that includes, all the way through, looking
4 at -- looking at using contract workers for fixed
5 periods, reconsidering the work and hiring location based
6 on potential growth markets and cost structure.

7 You may have noted that last quarter the
8 S&P 500, all the companies in the S&P 500, over 50
9 percent of their revenues came from outside the United
10 States. So these are all -- constitute sort of job
11 creation leakages out of the economy and is, we believe,
12 is having a dampening effect. I talked with the Vice
13 President of USAA last week about this job progression,
14 and he came up to me afterwards and he said: We went
15 through every one of those. He said: Fortunately our
16 business managed to get us to the bottom line and we're
17 still adding FTE, but we went through every one of those
18 steps along the way. I thought that was particularly
19 interesting.

20 In addition, you're seeing technology
21 spending. A lot of spending on technology, not
22 necessarily on people. In the early stages of the
23 recovery, a lot of technology for labor substitution and
24 the impacts of globalization, are creating these
25 leakages.

1 There are international headwinds and we
2 won't spend a lot of time worrying about those. But you
3 know, foreign sovereign debt issues and the like do make
4 a difference in the value of a dollar; does make a huge
5 difference to Texas exports along the way.

6 And last but not least, one we're all very
7 sensitive to, is state and local government budgets. It
8 will be very challenging coming in 2011, and more than
9 likely will result in employment declines both at the
10 state and local level going forward.

11 CHAIRMAN PAUKEN: I saw some figures the
12 other day that 15 percent of employment, nationally, is
13 related to state and local government jobs. Do you know
14 what percentage it is in Texas?

15 MR. FROESCHLE: I -- I don't have that
16 number right in front of me. Does anybody know offhand?
17 I don't have it in front of me, but it'd be an easy one
18 to get for you.

19 CHAIRMAN PAUKEN: Can you get it for me?

20 MR. FROESCHLE: My guess is it's
21 relatively close to that.

22 CHAIRMAN PAUKEN: Okay. All right.

23 MR. TEMPLE: Randy is going to go over the
24 financials.

25 MR. TOWNSEND: Good afternoon,

1 Commissioners. For the record, Randy Townsend, Chief
2 Financial Officer.

3 Under Tab 2, will be the Monthly
4 Legislative Report I would go over briefly with you this
5 afternoon. This will be our first quarterly report as of
6 November 30th for the fiscal year 2011. Just overall,
7 in terms of overall expenditures, we had expended about
8 328 million as of November. That compared to about 300
9 million a year ago at the same point in time.

10 We reported 3 -- 3,546 FTEs, full-time
11 equivalents, onboard for the first three months of the
12 fiscal year. Most of the -- the staff, most of the FTEs,
13 were focused in -- in three or four different strategies.
14 Primarily, of course, our unemployment insurance strategy
15 take -- claims taking appeal staff, made up just under
16 1500 of the FTEs. Tax collection was just under 400,
17 overall, for the agency. And then our last strategy with
18 a higher concentration of -- of staff was in our
19 employment services where we had added some reemployment
20 staff. And we're just -- just right around 8 -- 880
21 FTEs for the first quarter of the fiscal year.

22 Just a few observations to share with you
23 with regard to our expenditure rates for this first
24 quarter. There's a few that look to be a little bit out
25 of line when you compare it to the first -- first quarter

1 of the -- of the year. The first one I'll point out is
2 A114, that's Employment and Community Services Strategy.
3 One point to make, it looks like we're actually spending
4 a little bit higher than you would expect at this point
5 at just under 36 percent.

6 What -- I looked into that, and what that
7 would involve would be our Recovery Act funds. We had
8 expended about 14 million during the first quarter, which
9 would be consistent with our plan. Primarily, that was
10 our TANF emergency contingency funds for the Texas Back
11 to Work Initiative, and that actually included -- that
12 would be wrapping up of the summer employment program, I
13 would suspect, during that -- that first month of the
14 fiscal year. So when you take that into account, we were
15 on track with what you would expect at that point in
16 the -- in the year.

17 Project REA, the A117 strategy, looks to
18 be a little bit low when you -- when you take a look, at
19 16 percent. Looking into this, it's really two things:
20 Timing of our expenditures for a few of our board areas
21 in terms of their reimbursements, as well as the timing
22 of contract payments, inner-agency agreements with,
23 primarily, Texas Department of Criminal Justice. I did
24 take one more look before I came down to see where we
25 were as of December, and it looked like we're back on

1 track as -- as of December. So that had actually taken
2 care of itself one month later.

3 Self-sufficiency. We -- this is an area
4 where contracts are -- are -- we need to be, actually
5 executed, to see some expenditure levels here for this
6 one. I think part of this is -- is effected by our --
7 our economic situation. I don't know if there's any
8 other information to share on this one that we want to --

9 MS. MILLER: Yeah, Reagan Miller. We have
10 been looking at some -- some ways that we could encourage
11 Grant Hughs to come in for foster -- for
12 self-sufficiency. The one that we're working on now is
13 working with foster youth transition centers. We've had
14 our first grant application come in from the Houston
15 area. And our outreach team is going out across the
16 state to other foster youth transition centers to help
17 them with opportunities to set up training for those
18 foster kids who are transitioning out.

19 MR. TOWNSEND: Move on to child care --
20 care. The TANF Choices: Child care, transitional, and
21 at-risk. These are our direct care strategies: 1, 31,
22 2, and 3. This is one of those situations where, you
23 look at that in aggregate, where we're on track at 25
24 percent. This will be a -- really kind of depends on
25 what level of demand there is in our Choices program, and

1 that drives our Choices child care. And to a -- to a
2 lesser extent, it also has an impact on our transitional
3 child care. So we typically look at that in the
4 aggregate to see if we're on track, and we're -- we're
5 fine at that level.

6 Would comment, briefly, on child care
7 administration. At 30 percent, that looked a little high
8 to me when I first noted that. When you take into
9 account the expenditure levels are influenced, again, by
10 interagency agreements in this strategy. We have
11 contracts with Health and Human Services Commission for
12 our 211 contract. And then, also, there is the rider --
13 Article 9 rider for the contract with Texas Education
14 Agency for a million dollars. The timing of those
15 expenditures happened a little bit earlier in some cases,
16 so we're actually seeing a little bit higher rate. That
17 should, again, take care of itself as the year
18 progresses.

19 And my final comment deals with
20 Information Resources 312. Again, it looks a little bit
21 on the high side at 37 percent. Taking a closer look
22 at -- at this particular strategy though, it's really
23 primarily two areas. One is the timing of our
24 information technology purchases; primarily for software
25 licenses. We typically pay those -- we get some

1 discounts if we pay those up front in the first part of
2 the year. So you -- it looks like we've spent more than
3 we -- at that point in the year. But as -- as the year
4 goes on, that again will -- will take care of itself.

5 And then the other one is the timing,
6 again, of -- of payment we make for our -- what's -- to
7 reimburse for our statewide cost allocation plans; a
8 reimbursement to the Controller's office. And so, when
9 you take all of that into account, we're basically on
10 track.

11 So that wraps up -- concludes my comments.
12 If you have questions or comments?

13 CHAIRMAN PAUKEN: Okay.

14 MR. TOWNSEND: Thanks.

15 CHAIRMAN PAUKEN: Next, Gene or Larry?

16 MR. TEMPLE: Yes. Adam?

17 MR. LEONARD: Commissioners, I'm going to
18 be talking about the performance in Tab 3 and 4 of your
19 notebook, but I'm going to be speaking from the
20 single-page, two-sided -- it's got some charts on it and
21 some summarization of information.

22 To start with, at this point in the year,
23 a quarter-way through the year, we've got only five of
24 our measures. Our LBB measures are in a negative status.
25 That compares to ten at the end of last year. So we're

1 starting this year off better than we ended last year.

2 Our DOL performances all, again, still meeting or

3 exceeding expectations.

4 Looking at some of, kind of, the bigger
5 numbers. Total employers served is up 4 percent over the
6 prior twelve months. So even in, you know, the down
7 economy, if you will, we were seeing improvements in the
8 numbers of employers who we've been serving.

9 Job seeker numbers now are starting to go
10 down a little bit. They're down about 2.37 percent from
11 the twelve-month period a year earlier. And that's kind
12 of something that you would hope to see. That as the
13 economy begins to improve, that fewer people are coming
14 to the door looking for additional assistance. And
15 people who have jobs are not likely to be looking for new
16 ones, given that the economy hasn't taken off quite that
17 much yet that they feel comfortable leaving what they
18 have.

19 So there's kind of this cycle we saw in
20 the last recession where, when the economy is getting
21 good, our numbers start dropping. And it's -- once it --
22 it's just great economy for a while, that's when our
23 numbers start to really increase again as people start
24 thinking that the economy's hot enough to start looking
25 for work, for better jobs on their own rather than

1 feeling worried about what would happen if they gave up
2 what they have.

3 I've talked before about the -- the
4 ten-week measure as kind of a leading indicator for us.
5 And we are still seeing, month over month, the same month
6 one year earlier, the numbers are improved this year over
7 last year. This is, I believe -- eight monthly cohorts
8 now have all been up over the prior year.

9 And what's interesting is that on -- if
10 you look at Page 2, I've mapped up. The green line there
11 is our claimant reemployment within ten weeks, and the
12 red and blue lines are federal performance measures. One
13 is our ES federal entered employment rate which is kind
14 of a systemwide number of entered employment. And the
15 other is the basic federal claimant reemployment report.
16 Both of these are based on UI wages, which is why there
17 are fewer data points there. But as you can see, the
18 numbers do kind of track each other relatively well.

19 And in particular, as we started seeing
20 the improvement in the last four -- or the last three
21 green triangles there represent the -- the most recent
22 data we've got on 10-week performance, and it's tipping
23 up. That, with the one data point that's in common for
24 the other -- for the two federal measures, we saw
25 significant improvement there. And what I've been hoping

1 is, is that we would be -- we would have balanced, or
2 bottomed out, sometime this year and that we would start
3 seeing improvement.

4 And so, although this is only one data
5 point, it's certainly a positive one. And if it turns
6 out that these numbers continue to track what we see on
7 the 10-week measure, then I think we're kind of starting
8 to move things in the right direction, and that this
9 isn't just kind of a lucky blip; if you will.

10 Retention also, I think, is probably
11 starting to move in the right direction, but it's a
12 little harder to tell because it lags a little further
13 behind entered employment. So we'll have to watch that
14 for another few quarters to see whether it continues to
15 trend upwards.

16 I wanted to mention that Choices
17 participation, overall, is up over the prior year. But
18 if we look at the last six months, month over, know you,
19 that month over the same month a year earlier, we're
20 seeing some lower numbers there. And some of that is
21 probably due to the fact that if you look at the last
22 twelve months of performance of customers served, we've
23 got 6,000 more Choices customers being served in the six
24 months through November, or the twelve months through
25 November of 2010, compared to the twelve months through

1 November of 2009. So increased numbers coming in the
2 door is probably part of what's driving on that.

3 The hold time for the UI customers is well
4 below last year and below target, which is good. But it
5 has started going up over the last several quarters, and
6 that has to do with UI's staffing levels being adjusted
7 back downwards again.

8 Talking about the boards and the board
9 performance, we've got 25 boards that are meeting or
10 exceeding expectations on at least 80 percent of their
11 measures. Ten boards are only missing one measure and
12 five are missing only two measures. So out of the 15
13 measures, 28 boards, that's 420 opportunities where we're
14 looking at boards to meet their certain performance
15 expectations, and only 48 out of those 420 are boards
16 missing those expectations.

17 One that's actually kind of positive, good
18 news is that only five of those are related to claimant
19 reemployment. And that's kind of a big change from what
20 we saw last year. That the boards are doing better with
21 claimant reemployment. That kind of goes up with what I
22 was talking about on the measures, in general, but also
23 that at the individual level we're seeing, you know,
24 widespread improvement amongst the boards in that area
25 and their ability to meet that performance.

1 And the biggest -- the area that has the
2 biggest problem in these numbers is, we've got 14 boards
3 that are missing Choices participation measures. But
4 again, that -- that's the largest out of the 48 instances
5 where boards aren't meeting their performance. In terms
6 of retention and entered employment, they are meeting
7 their contracted measures associated with those. So
8 again, that's an improvement over where we were last year
9 and something that we hope will continue to see going
10 forward.

11 I'm happy to answer any questions you
12 might have about the material in the notebook or what
13 I've just covered.

14 CHAIRMAN PAUKEN: Okay. All right.

15 MR. TEMPLE: Reagan?

16 MS. MILLER: I have nothing else to add
17 except to -- on follow-up to Adam's comments. All of
18 those boards that are not doing well in Choices, we're
19 working with them. They have performance improvement
20 plans in place. And we're going to continue focusing on
21 opportunities we have to review the Choices program and
22 work with the boards to make sure that they've all got
23 their eye on the ball and we're operating an efficient
24 program. So we'll have that in the works over the coming
25 months.

1 MR. TEMPLE: Commissioners, I've asked
2 staff to start looking at, starting with the boards,
3 conference call with the boards; some on a regional basis
4 and some of the larger boards, but -- and their -- their
5 Choices point people. Monitoring and technical
6 assistance, we're seeing a lot of inconsistencies on the
7 interpretation of some of our policies and rules. And so
8 we're -- we're going out just to see what people think,
9 we're telling them it's supposed to be run as, and so
10 we're going to start this.

11 And it certainly won't be as big as the ES
12 initiative we did. But we're going to be doing a -- a
13 pretty good scrub of the TANF program and looking at the
14 data, and Adam's going to help us on these things. And
15 then it may result in coming back to you for guidance on
16 possible changes in -- in some of the program rules and
17 what not. But mainly, we're just trying to find out if
18 everybody's on the same page out there. It doesn't look
19 like -- look like that they are.

20 CHAIRMAN PAUKEN: Okay. Thank you.
21 LaSha?

22 MS. LENZY: Just a -- just a couple of
23 things. Thank you. Good afternoon.

24 January has been a very, very busy month
25 for us going into the year, and with the holidays, and

1 then having the holiday last week as well. It's been
2 really, really busy. We have implemented the pen reset
3 function that I have sent an e-mail to you all about
4 where if a claimant revokes their pen number, they can go
5 in and -- and reset it themselves rather than having to
6 call us. So we're hoping to see some relief in that
7 area.

8 Otherwise, I'm just available for any
9 questions that you all have had.

10 CHAIRMAN PAUKEN: Okay.

11 MR. TEMPLE: John, do you have anything?

12 CHAIRMAN PAUKEN: Well, I mean, let me
13 raise an issue. We -- I'd like -- I'd like to get a
14 little, at least a discussion going with regard to the
15 career school issue that is out there. Because, clearly,
16 there's been a question about the online -- online
17 schools. So could you give us, or have whoever's
18 appropriate, give us an overview of where we are on
19 that --

20 MR. TEMPLE: Certainly.

21 CHAIRMAN PAUKEN: -- on that issue?
22 Because I think there's some confusion as to the rules
23 and regulations and -- and what -- what these companies
24 are required to do pursuant to Texas law and pursuant to
25 the regulations that are in force. So, Laurie?

1 MR. TEMPLE: And I think what we're
2 looking at is the online issue, whether licensed or
3 unlicensed. And we've certainly got the interpretation
4 from the Attorney General's Office, that they are covered
5 under that. And we've had several requests. We have two
6 schools, in general, that we can talk about. And we
7 talked earlier, and actually, there's, we believe,
8 some -- some policy decisions. We need to come to you on
9 one of these, and then in general.

10 So, Laurie?

11 MS. BISCOE: Just to kind of lay out the
12 issue and -- and describe what the state's regulate --
13 regulatory requirement is at this point. Our statute
14 does include online schools to be regulated, licensed, or
15 meet one of the reasons for exemption in Texas.

16 The definition of a career school
17 specifically includes distance education and it
18 specifically addresses the -- the business that is
19 offering training is either physically in the state or is
20 soliciting business within the state. We are aware that
21 there -- we do have a number of schools, that are online
22 schools, that are not located in Texas that are currently
23 licensed in Texas. We also have a good number of schools
24 that meet various reasons for exemption.

25 The reason -- one of the reasons that the

1 issue is apparently kind of bubbling up at this point is
2 the U.S. Department of Education, last fall, adopted some
3 new -- new regulations. And in those regulations, they
4 have established a number of things, but one of them has
5 to do with the eligibility requirements for Title IV
6 funding for career schools and colleges; the Federal
7 Education Grant Programs that the schools use and -- and
8 access.

9 One of the requirements, they specifically
10 address online schools, indicating that an online school,
11 in order to be eligible for Title IV funding, has to be
12 in compliance with whatever the state's regulatory
13 requires are. And so there are a number of schools that,
14 in looking at those regulations, are starting to think:
15 We've got to figure out what, for sure, what all of the
16 state's regulatory requirements are.

17 We've had a couple that have come forward
18 to us and said: We need to make sure that we're clear
19 with you that we are appropriately regulated. We've
20 worked with -- with those schools. Some of those schools
21 will meet various reasons for exemption, and some will
22 come in and -- and be licensed through -- through the
23 regular licensure process.

24 MR. TEMPLE: And Laurie, there's been a
25 lawsuit filed by the -- the National -- National

1 Association, now against --

2 MS. BISCOE: There's a National Career
3 Schools Association that has filed litigation against the
4 U.S. Department of Education on those new regulations
5 trying to --

6 CHAIRMAN PAUKEN: Is it -- is it -- let's
7 see, is it very expensive for an online school? I mean,
8 I could -- obviously if -- if you've got, maybe, 20
9 students in Texas, they say: Oh, well, why do we want to
10 register there? How expensive is it to register an
11 online course?

12 MS. BISCOE: For us, it would be like any
13 other school that -- that is being licensed. And we
14 don't see our fee as being exorbitant or -- or large.

15 CHAIRMAN PAUKEN: What are the fees?

16 MS. BISCOE: Licensure for a large school
17 would be about \$3,000. And then you would -- would have
18 fees associated with processing the instructor
19 applications, and the representative applications, and --
20 and renewal fees. I don't think -- I don't think it's --

21 CHAIRMAN PAUKEN: It's not a -- it's not a
22 complicated process and it's not that expensive?

23 MS. BISCOE: I don't believe so. I
24 think -- I think -- my guess would be, is schools are
25 just now having to deal with all of the states in which

1 they are doing business and making sure that they are in
2 compliance. So they've got to manage multiple regulatory
3 requirements.

4 MR. TEMPLE: And we've had probably more
5 that have come to us saying: What is -- what is the
6 requirement? What are the exemptions? What's the
7 process? Not challenging, just trying to find out where
8 they stand.

9 CHAIRMAN PAUKEN: Give -- give us an
10 example of -- of someone that would have an exemption for
11 an online school.

12 MS. BISCOE: There's a -- we have a -- a
13 large number of exemptions that businesses may qualify
14 for. The exemptions that we have typically seen for
15 online schools have been things like they are providing a
16 bachelors degree or higher and can -- can indicate that
17 those credits are transferable. That would be one reason
18 for exemption. They may be providing continuing
19 education for an established license, attorneys or
20 doctors, with online education. If it's specifically
21 continuing education, that may be a reason for exemption.
22 We've got a good number of online schools that are
23 offering training in how to use software and hardware
24 computer technology. That online -- online courses are
25 teaching how to use that company's hardware or software.

1 Those would be reasons for exemption.

2 CHAIRMAN PAUKEN: What -- why is there
3 resistance then, in your estimation, to registration?

4 MS. BISCOE: My -- my hope would be that
5 they just really don't understand that it's not as
6 complicated and burdensome as I think they fear that it
7 is going to be. One of the things that we are initiating
8 is, we don't typically try and go out and find and
9 identify all businesses that might. We just don't have
10 the resources, typically.

11 CHAIRMAN PAUKEN: Sure.

12 MS. BISCOE: But we -- given this issue,
13 we are going to initiate at least providing some
14 information on the website about what -- what the online
15 requirements are. We've already got information about
16 the licensure process and -- and the fees associated.
17 And make ourselves available to communicate with any of
18 the schools or organizations.

19 CHAIRMAN PAUKEN: So there's no minimum
20 number? In other words, if there were a company, say, in
21 New York State, and they had one hit from Texas, and --
22 and one person that signs up, they still would have to
23 register?

24 MS. BISCOE: The requirement is that if
25 they're soliciting business in this state, and -- and we

1 would look to see that they are actually enrolling
2 students. If they have students in -- in Texas, they
3 would fall within the regulation.

4 CHAIRMAN PAUKEN: Okay.

5 COMMISSIONER CONGLETON: The company that
6 prompted this conversation, have they come to see you?

7 MS. BISCOE: They're scheduled to visit
8 with us tomorrow afternoon.

9 COMMISSIONER CONGLETON: Okay. They
10 visited with us first and now they're going to come see
11 you. Okay. Thank you.

12 CHAIRMAN PAUKEN: Okay. All right.
13 Any -- Commissioner Alcantar?

14 COMMISSIONER ALCANTAR: I have no
15 additional questions.

16 Certainly, we strive to make it simple to
17 work with us in terms of our regulatory responsibilities.
18 And I do think staff, on a consistent basis, looks at our
19 business processes to make sure that they make sense and
20 that they're easy to use. So let's -- I'm looking
21 forward to the discussions and hopefully the issues will
22 be allayed.

23 CHAIRMAN PAUKEN: Okay.

24 COMMISSIONER CONGLETON: I would -- I
25 would just add that as long as we ensure that this --

1 people in Texas that use this facility are protected,
2 I -- I'm okay with however y'all come down on it.

3 COMMISSIONER ALCANTAR: And that's one of
4 the things that staff and I have talked about, is
5 reminding them that we need to understand. I don't --
6 and everyone involved needs to understand not only our
7 licensing responsibilities, but also our enforcement
8 requirements that come along with that.

9 COMMISSIONER CONGLETON: I'm afraid
10 without that last meeting, that we wouldn't have any
11 enforcement integrity at all. So --

12 COMMISSIONER ALCANTAR: Yeah. I have one
13 thing, Mr. Chairman.

14 CHAIRMAN PAUKEN: Okay. All right.
15 Commissioner Alcantar, I'll turn it over to you.

16 COMMISSIONER ALCANTAR: Well, you know
17 we're lucky enough to, all of us, to work with staff that
18 do a wonderful job of supporting us, supporting the
19 mission of this agency, and making sure that we discharge
20 our responsibilities in a very positive way. One that's
21 consistent with all of our customers in terms of what we
22 expect in the form of service delivery and customer
23 satisfaction.

24 And I am privileged to have an individual
25 that has worked in state government for 20 years, has

1 been with this agency a number of those years, and I
2 really appreciate the work that she does for me. Was
3 here when I walked in the door, and has done a wonderful
4 job of making sure that I understand the issues and that
5 I have a broad perspective in terms of how I analyze
6 certain things.

7 And I'd like to invite Tamara to come up
8 and receive this Certificate of Appreciation for 20 years
9 of service to the State of Texas.

10 CHAIRMAN PAUKEN: Okay. Anything else,
11 Larry?

12 MR. TEMPLE: No, sir.

13 CHAIRMAN PAUKEN: Okay. We'll, I guess,
14 be back here shortly.

15 (At this time, the proceedings were
16 Adjourned at 2:11 o'clock p.m., Tuesday,
17 January 25, 2011.)

18

19

20

21

22

23

24

25

1 THE STATE OF TEXAS)

2 COUNTY OF TRAVIS)

3 I, KRISTI MOREHOUSE, Certified Shorthand
4 Reporter in and for the State of Texas, do hereby
5 certify that the above-captioned matter came on for
6 hearing before the TEXAS WORKFORCE COMMISSION as
7 hereinafter set out.

8 I further certify that the proceedings of said
9 hearing were reported by me, accurately reduced to
10 typewriting under my supervision and control, and, after
11 being so reduced, were filed with the TEXAS WORKFORCE
12 COMMISSION.

13

14 Certified to by me on this _____ day of
15 _____, 2011.

16

17

18

KRISTI MOREHOUSE, TEXAS CSR 8185
Expiration: 12/31/2012

19

20

Certified Shorthand Reporter
State of Texas

21

22 THE EDWARDS FIRM
PMB 306
23 6800 Westgate Blvd., #132
Austin, Texas 78745
24 (512)288-2600

25 JOB NO. 2011-08