

1 P R O C E E D I N G S

2 TUESDAY, MAY 25, 2010

3 (10:14 a.m.)

4 CHAIRMAN PAUKEN: Okay. Mr. Crump,
5 Mr. Temple, Mr. Townsend, who is going to --

6 MR. TEMPLE: Commissioners, I'll get it
7 kicked off.

8 We're approaching -- we have an August
9 deadline for the UI Operating Budget and also prepare
10 our LAR for the next biennium that -- that will --
11 will, obviously, include a lot of different funds.
12 And we've gone into sessions before with the stimulus
13 funds and -- and all the contingencies that go with
14 that. And so what we'll be laying out today is just
15 kind of lay of the land, broad brush where we are,
16 where we stand, and some specific considerations,
17 particularly as it relates to FTEs that associated
18 with the ARRA funding, when that money expires. And
19 as you're aware, we've got a major initiative with our
20 UI Strategic Plan that we're working on, and that --
21 that will be incorporated and some ideas related to
22 infrastructure in our -- in our UI Call Center
23 programs as well.

24 So, with that, Gene.

25 MR. CRUMP: Thank you, sir.

1 Good morning, Commissioners. For the
2 record, Gene Crump.

3 As the boss talked about the purpose is is
4 to basically lay out a background, a broad brush of
5 what's going to be established for the FY '11
6 Operating Budget and then the FY '12 and '13
7 Legislative Appropriation Request. We're here as --
8 after we lay out that background, we're here to seek
9 Commission direction and any guidance in the
10 preparation of the budget or the LAR. We've been
11 gathering information from the divisions, as the boss
12 mentioned, to kind of go over the philosophy.

13 As we've operating in the past, we look to
14 maximize allocations to the boards. We look to
15 maximize the flexibility to the Commission for the
16 statewide dollars. We look to utilize information and
17 technology solutions to the maximum extent possible,
18 and then we obviously look to reduce agency staff
19 wherever possible. So, those are the -- our kind of
20 guiding principles.

21 If you kind of look at the FY 2010 Operating
22 Budget, from a percentage perspective, approximately
23 77 percent of the agency's budget is -- is in grants
24 and allocations to the boards and our vendor partners.
25 Salaries account for another 12 percent, and another 5

1 percent represents the cost of health insurance and
2 fringe benefits. So, that only leaves us about 6
3 percent to fund travel, utilities, other operating,
4 the DCS contract, the capital budget items.

5 Some other items that we'll think about for
6 FY '11 is the temporary ES staff, the funding that the
7 Commission approved earlier. They'll be here for FY
8 '11 but not carry into FY '12 and '13. We'll be
9 adding some 23 Trade staff in FY '11 to support that
10 new program. Then, as you look forward to FY '12 and
11 '13, certainly a lot of our funding on the UI side is
12 based on our estimated claims workload, and Randy will
13 talk a little bit about that.

14 The boss mentioned some of the capital
15 budgeted -- capital budget initiatives. As we talked
16 about previously, the UI Strategic Plan project,
17 there's going to be four pieces to that. We'll have
18 the IT Tax Modernization item at 8.4 million,
19 improving TeleCenter call handling at about 5.6
20 million, improve the discovery of fraud at 1.4
21 million, and the Benefits System Inter -- Interface at
22 4 point -- 4.8 million. So, that totals about \$20
23 million that we'll bring to the Commission for
24 consideration regarding that UI IT Strategic Plan
25 project.

1 Additionally, it's time that we refresh the
2 automated call distribution systems and the inter --
3 interactive voice response systems at the TeleCenters.
4 So, that will be another capital budget project that
5 we need brief the Commissioners on for '12 and '13.
6 That will be somewhere in the range of 3 million per
7 year for '12 and '13.

8 And then, finally, staff has been looking at
9 our TeleCenters and specifically the El Paso
10 TeleCenter, which is an older building. We put
11 together a packet and had Mr. Temple review that.
12 He's now approved for us to come brief the
13 Commissioners on it. We will be approaching the
14 Commissioners and briefing on potentially selling the
15 El Paso TeleCenter and buying a new building in
16 El Paso, as opposed to trying to refurbish the old
17 El Paso TeleCenter. And there's some benefits that
18 would accrue the staff for that.

19 So, with that basic background, I'm going to
20 turn it over to Randy to talk about some of the
21 specifics.

22 Randy.

23 MR. TOWNSEND: Good morning, again,
24 Mr. Chairman, Commissioners. I want to make sure
25 you -- I did send around yesterday afternoon a copy of

1 the materials I'll be going over, to make sure you
2 have a copy of that in front of you.

3 Okay. On that first page, that just -- at
4 the very bottom of that page, it lines out our -- or
5 includes our time line for producing the Legislative
6 Appropriation Request for 2012 and '13 and also will
7 include the Operating Budget preparation for 2011. As
8 you know probably at this point we've not received
9 formal instructions or any instructions with regard to
10 how we will actually put together the 2012 and '13
11 request as it relates primarily to general revenue and
12 general revenue dedicated. And so, once those
13 instructions are received, then we'll need to visit
14 with you a little bit more about if there's direction
15 needed or guidance needed in terms of how we proceed.

16 So, this morning what I've done is, on -- on
17 that time line, lined out some of the major dates the
18 expectation would be that first part to middle part of
19 August we'd be asking for your final approval for the
20 appropriation request and -- and operating budget with
21 our expected -- what we're anticipating to be the due
22 date for the agency's appropriation request being
23 somewhere near the end of August. That's typically
24 the date that is provided. We don't -- we haven't
25 received that date just yet but just trying to plan

1 ahead for this.

2 Finance staff, along with divisions,
3 departments, we've already been putting together some
4 information preliminarily. We're not to a stage,
5 though, that we're -- we need to redirect efforts or
6 incorporate your ideas, your suggestions as to how we
7 put our budget and -- and request together. We still
8 have plenty of time to -- to work that in.

9 What I'd like to do is just hit a few of the
10 highlights starting on Page 2 of your materials. What
11 this graph and -- and information is -- is trying to
12 depict here is -- is a real quick overview of our
13 agency's total funding. As you well know, the vast
14 majority of our funding is -- is federal funds, as you
15 can see on this graph here. What's also unique about
16 this is that for 2009 and '10 the Workforce
17 Commission, the agency, received a significant amount
18 of additional funding that we typically don't see each
19 year, and that's from Recovery act. And you'll see
20 that on the red bar there. So, it's a pretty sizable
21 amount. So, our budget was approaching 1.4 billion a
22 couple years ago. We'll be back down to the -- we
23 expect around the 1.1 billion, unless, you know, more
24 typical of what we -- we see on a -- on an annual
25 basis.

1 The other point that we've done at the point
2 in -- in putting together our estimate, we've assumed
3 that the general revenue dedicated, we -- we did take
4 a 5 percent reduction in that funding source. Our GR
5 funding source as you know was restored. So, we've
6 assumed for -- for now, anyway, that the instructions
7 will require us to build that into our base as we go
8 forward --

9 CHAIRMAN PAUKEN: That could change
10 again --

11 MR. TOWNSEND: It -- oh, we -- we -- we
12 have the -- the erasers ready to go just as needed.
13 The -- so this gives you kind of a high-level overview
14 of the -- of the total funding.

15 The next page is a quick recap of our
16 general revenue, general revenue dedicated, again,
17 along that base funding concept. And, again, we'll --
18 we'll be receiving instructions that will tell us how
19 we need to either build those into your budget or
20 provide a separate schedule for any proposed general
21 revenue reductions.

22 The -- the points on this that are fairly
23 important, though, of course towards the top there
24 we've got the Rider 31, the Texas Back to Work, for 7
25 and a half million a year built in. We've got the 15

1 million increase for Skills Development built in as
2 well in terms of base for Rider 31 for the time being,
3 just to point that out. I did include the Skills
4 Development, just the regular ongoing funding we
5 receive down -- noted as not including Rider 31, which
6 is about 25.8 million a year on that particular page.

7 The other part of this on -- moving to Page
8 4 summarizes our -- our federal funds. I'm going to
9 make a note here. It's the UI above-base. This was
10 a -- this was kind of a different time. We -- as Gene
11 mentioned, we have -- staff, Finance staff, has made
12 an estimate for our claims, initial claims, going out
13 through 2013 using the Comptroller's forecast of
14 unemployment to -- to model that and --

15 CHAIRMAN PAUKEN: I'm sorry, who's?

16 MR. TOWNSEND: The Comptroller of Public
17 Accounts.

18 CHAIRMAN PAUKEN: What about our -- as
19 compared to our --

20 MR. TOWNSEND: Well, my understanding is
21 the -- the -- the budget is built off the unemployment
22 forecast by the Comptroller's Office. And so we
23 really feel like we probably are supposed to build
24 that into our budget, our base request going
25 forward --

1 CHAIRMAN PAUKEN: They've been --
2 they've been -- they were off by 2 percent last year
3 in terms of -- I think it was -- they were saying it
4 was going to peak at 6 percent. So, what -- what --
5 what are they predicting in terms of unemployment, do
6 you know?

7 MR. TOWNSEND: I don't remember the
8 exact numbers. I'm thinking it's in the 6 and a half,
9 7 percent range possibly for the out years. But I
10 don't remember the exact --

11 CHAIRMAN PAUKEN: And so what happens if
12 they're wrong again?

13 MR. TOWNSEND: Well, what -- in this
14 particular case what it will mean is that either we'll
15 be too high or too low, depending on which direction
16 it is with respect to our estimate of -- of above --
17 what's referred to as above-base UI grant funding
18 and --

19 CHAIRMAN PAUKEN: Okay. Let's say
20 it's -- let's say they're too low. What -- what's
21 the --

22 MR. TOWNSEND: The -- what we've
23 included in here as far as the staffing level
24 estimates going forward -- and you'll see this in a --
25 in a -- on a couple pages back we've included -- well,

1 in fact, we'll just go to that and look at it. I'll
2 show you the --

3 MR. TEMPLE: If the unemployment was
4 higher, then we'd have more claims. We'd get more
5 above-base funding, because that's all directly
6 federal dollars based on our -- our -- our caseload,
7 basically.

8 CHAIRMAN PAUKEN: Okay.

9 MR. TOWNSEND: Right. On Page --

10 CHAIRMAN PAUKEN: It doesn't affect the
11 state?

12 MR. TEMPLE: Well, in that respect it
13 wouldn't -- none of our general revenue dollars would
14 be affected in that. Obviously, any changes to
15 general -- to the projections would affect general
16 revenue in general, and we'd be part of that --

17 CHAIRMAN PAUKEN: Okay. But it's a
18 federal? In other words, it doesn't --

19 MR. TEMPLE: It's above-base funding by
20 Department of Labor.

21 CHAIRMAN PAUKEN: -- it doesn't
22 impact -- it -- it doesn't impact what we're looking
23 at on the state?

24 MR. TOWNSEND: The -- the way we've used
25 the unemployment rate for our purpose of the -- of the

1 budget preparation is really more to estimate the
2 number of initial claims, which then would drive the
3 staffing levels that we're estimating be necessary
4 to -- to process those claims. And, in fact, the best
5 way probably to see this real quickly is on Page 6,
6 just jump to the FTEs there.

7 CHAIRMAN PAUKEN: Okay.

8 MR. TOWNSEND: I've included what's
9 called -- what I'm referring to there is above-base UI
10 Claims, Appeals staff, and this is -- and contrary to
11 what I talked about earlier on the Trust Fund, initial
12 claims are staff workload are highly correlated.
13 There's a very strong relationship between the -- the
14 amount of claims you process and the staffing it takes
15 to -- to process those claims --

16 CHAIRMAN PAUKEN: Now, are there -- are
17 the projections at the -- the initial claims will be
18 back in that prerecessionary 13, 14,000 a week versus
19 the 18 where we currently are?

20 MR. TOWNSEND: I think -- I think on
21 this I'm actually -- I've actually looked at it on an
22 annual basis. I think the numbers are more compared
23 to 850,000, roughly, claims for the year compared to
24 prerecessionary, which was about 650, 680,000, I
25 think. I got that on an annual basis. The weekly I'm

1 not --

2 CHAIRMAN PAUKEN: Okay.

3 MR. TOWNSEND: But that would give
4 you -- so it's a little bit higher in --

5 MR. TEMPLE: And the other -- the other
6 assumption, talk about what our reimbursement rate is
7 on above-base.

8 MR. TOWNSEND: That's right. Our --
9 we -- and when we did the above-base, we're estimating
10 that the current hundred percent, basically, that's
11 being funded for above-base will continue. That, of
12 course, wasn't the case several years ago.

13 MR. TEMPLE: They -- they funded as low
14 as 85 percent of our actual cost --

15 CHAIRMAN PAUKEN: The federal
16 government?

17 MR. TEMPLE: Yes.

18 CHAIRMAN PAUKEN: Oh, really?

19 MR. TEMPLE: Yes. But here of late,
20 we've been able to get -- the states have been able to
21 get a hundred percent of above-base. So, our
22 assumption is the continuation of a hundred percent of
23 above-base funding.

24 CHAIRMAN PAUKEN: Okay.

25 MR. TOWNSEND: So, the -- on the FTE,

1 Page 6, the green is the -- is the above-base funding
2 that we're estimating for the UI Claims staff and the
3 Appeals staff that would be funded with additional
4 federal grant dollars. And the reason I bring this
5 up, if you go back to Page -- on the federal funds
6 back to Page 4, there's an estimate of -- of about \$62
7 million for -- through the out years, through 2013,
8 that we're estimating that we will receive if this
9 all -- these estimates are all exactly right. And, of
10 course, they'll be different. But if that were to pan
11 out the way we're estimating -- again, as Mr. Temple
12 refers to the -- you know, what the rate is right now,
13 being paid on the above-base claims, then we'd expect
14 to receive another \$62 million.

15 That's not money we've received. That's
16 money we expect to receive. We're -- we're -- we're
17 going to plan to -- to ask for the appropriation
18 authority to budget it in. It -- it would fund the
19 staffing levels, but we're going to keep it distinct
20 in how we set that up in our internal budget system so
21 we know what we've counted on that we haven't received
22 yet so we don't get ourselves in a bind for continued
23 operations.

24 CHAIRMAN PAUKEN: Good thinking.

25 MR. TOWNSEND: So, we're trying to keep

1 that all sorted out. That's one important point I
2 just wanted to make sure y'all were -- were aware of
3 that.

4 The other point, as -- as Mr. Crump referred
5 to, we -- we have some UI Strategic Plan projects. I
6 want to -- this gets a little bit more involved. We
7 know we have UI Special Admin Funds, the 39.7 million,
8 you've already approved using some of that for our
9 Reemployment Services. What we would propose to do
10 with that funding is to look between the above-base,
11 the UI grant funds I just talked about, and that
12 special admin to make sure we're maximizing or
13 optimizing, if you will, how the feds reimburse the
14 state and through the Resource Justification Model,
15 the RJM.

16 To the extent we use the ongoing grant for
17 ongoing costs, that gets built into the base, and then
18 it's funded for the future. To the extent we use the
19 grant to fund one-time kinds of costs, that actually
20 hurts us for the long term funding on a -- on an
21 on-going basis. So, we're going to attempt to be
22 strategic about how we select funding for one-time
23 sorts of costs versus ongoing sorts of costs.

24 So, we're -- in -- so we're making some --
25 some assumptions right now based on the best

1 information we have, but it could change over time.
2 So, I wanted you to be aware that that will shift a
3 little bit as we determine and get better information,
4 but we think that's the right way to do that in terms
5 of trying to -- to optimize on the -- the -- the UI
6 grant funding for the future and not cut ourselves
7 short. So --

8 COMM. CONGLETON: And that's what this
9 18 to 25 UI grant -- or UI Strategic Plan FTEs are?
10 Is that what you're saying?

11 MR. TOWNSEND: The -- the -- yes, sir.
12 Those -- those are staff that are estimated to be
13 necessary to make sure that we have the experienced
14 level staff that we need to support the UI Strategic
15 Plan, those -- those individual projects, both in the
16 IT Departments, as well as the Program areas. And so
17 that would be staff that needed -- need to work, you
18 know, extensively on that project. It may not be
19 those particular staff we bring on. They may actually
20 help support some of the -- the workload in other
21 places and use more very experienced staff, but that's
22 the estimate right now, the additional staffing to --
23 to make that happen.

24 And that would be a good example to the --
25 the extent that some of those folks are just there to

1 support the project, then we might not want to charge
2 those to the grant. If those are some folks that will
3 need to be necessary for the ongoing part of the
4 program, then, you know, it would make some sense.
5 So, we're -- we're -- those are -- those are an
6 example -- that would be an example where we'll make
7 the best fit, if you will, with -- with the particular
8 funding.

9 And I don't know if you wanted to add
10 anything.

11 MR. CRUMP: And, Commissioner Congleton,
12 so in answer to your question, that's both Program
13 staff and IT staff. And like Randy said, going back
14 to the Resource Justification Model, it is important
15 that we track how we spend those dollars to maximize
16 the return that we get from the feds on the RJM, which
17 is how the UI admin dollars are funded.

18 So, as we spend our special admin dollars,
19 we're going to be tracking and making the best spend
20 of those dollars to get the maximum return investment
21 from the feds.

22 MR. TEMPLE: And -- and, Commissioners,
23 another thing we really have to monitor a lot of
24 states got a lot of this UI special admin money and --
25 and haven't been spending it. And there are a lot of

1 the eyes on these dollars about how -- how much of
2 them -- how much of these funds have been obligated,
3 expended. And there's always talk about sweeping and
4 doing a rescission on some of this, so we'll be
5 monitoring that closely, too. And that will play into
6 as well maybe how far and how fast we look at
7 obligating those dollars.

8 We'll keep you briefed on that as it goes,
9 but there's already been several attempts to
10 recapture, if you will, ARRA dollars. And so we'll be
11 looking at that, and -- and we know that -- just like
12 they looked at Reed Act dollars over the -- over the
13 last years, how many states still had Reed Act dollars
14 and weren't spending it. And that was arguments that
15 they would use to -- to look at rescissions in other
16 parts of our UI grant.

17 So, we'll -- we'll keep that -- that will be
18 in play as we -- as we watch this as well.

19 MR. TOWNSEND: The only other point I
20 wanted just to -- just hit a couple of highlights here
21 on -- on Page 4 on Trade Act -- and this will tie into
22 staffing levels as well as was referred to. The Trade
23 Act Services funding, of course, we're expending that
24 to go up as the program has been expanded to include
25 broader range of services to folks who are affected by

1 Trade. So, we're -- we're essentially estimating that
2 that program will more than double or about --
3 approximately double from 2009 level of funding.

4 So, it's federal funds. What that does
5 mean, though, is that we will be adding probably about
6 two dozen staff or so that will be doing case
7 management as required by the new Trade -- Trade Act
8 provisions, and that's also reflected in -- right now
9 in the preliminary FTE estimates that we're including
10 here.

11 The -- Page 5 I wanted just to hit the
12 highlights. This looks at the budget a little
13 different way in terms of -- as Mr. Crump referred to,
14 the grants being a large portion. It shows the
15 grants. And, again, it -- it split out the grants.
16 That's that purple bar there for the Recovery Act
17 funded grants.

18 As you can well see there, it's -- it was
19 a -- a pretty sizable increase for 2009 and also for
20 '10. And then the salaries in here as -- back in
21 2009, we were around 128 million. Of course, mainly
22 with the additional UI workload, we bumped up to close
23 to -- you know, the mid 140s for the 2010, estimating
24 that for '11. And then we are expecting to drop down
25 about 10 million a year. And, again, most of that is

1 estimated on the basis that our Claims workload and,
2 therefore, the Appeals workload as well will be coming
3 down corresponding to that -- to those estimates.

4 So, that's been built in to -- to our
5 assumptions for now. And we're still fine-tuning
6 the -- the actual numbers, but this gives you a feel
7 for kind of the -- the overall budget, the staffing
8 levels, where we're heading, we think, with this. And
9 we're, of course, capturing updated information from
10 the different departments and divisions.

11 But this gives you a -- I think a little bit
12 better overview of -- of kind of what we're working
13 with. And then, again, we'll have to -- to await the
14 further instructions and -- and guidance from the --
15 from the Legislature, the -- the Leadership as to how
16 we need to proceed for '12 and '13.

17 CHAIRMAN PAUKEN: All right. Gene.

18 MR. CRUMP: Commissioners, then to wrap
19 it up, what we're really looking for today, are there
20 areas of special focus, areas of special interest that
21 the Commission would like us to look at? And I could
22 use an example. Last year, Commissioner Congleton and
23 Commissioner Alcantar directed that we add additional
24 staff to Labor Law to reduce the -- the backlog. It
25 just so happens I just got an e-mail on the BlackBerry

1 the -- the backlog went to zero officially today,
2 so --

3 COMM. CONGLETON: So, we were right,
4 weren't we?

5 MR. CRUMP: Yes, sir, you were. As --
6 AS you always are, sir.

7 COMM. CONGLETON: (Inaudible)
8 (Laughter)

9 MR. CRUMP: But -- but with that -- with
10 that kind of background, if there's anything that the
11 Commissioners would like us to focus on to build into
12 to work with division directors to focus on, that's
13 kind of today's discussion, to give y'all an
14 opportunity to talk amongst yourselves or if there's
15 anything y'all want us to look at special provide
16 back. We will be coming back around, as -- as Randy
17 talked about, when we actually receive the LAR -- LAR
18 instructions. Obviously, we all expect there to be a
19 schedule in there for a general revenue reduction.
20 That would be a Commission decision we would present,
21 as we did before, various options, discuss those
22 privately and let the Commissioners vote, you know, in
23 a public forum.

24 CHAIRMAN PAUKEN: Yeah, I have some
25 thoughts, but let's just do it individually.

1 MR. CRUMP: Yes, sir.

2 COMM. CONGLETON: I have one question.

3 CHAIRMAN PAUKEN: Oh, sure.

4 MR. CRUMP: Yes, sir?

5 COMM. CONGLETON: On Page 3, do we have
6 an additional 15 million for our Back to Work program
7 for '11 and '12 already, or is that our -- one of our
8 wish list programs? What is that?

9 MR. TEMPLE: No, sir, we --

10 COMM. CONGLETON: Is that our aim?

11 MR. TOWNSEND: No. Commissioner, all I
12 did for '12 and '13 was assume that the -- the
13 baseline from this current biennium would carry into
14 the next biennium --

15 COMM. CONGLETON: Okay. You're
16 carrying -- you're carrying the original 15 million
17 over?

18 MR. TEMPLE: Right. And we're assuming
19 that would be our instructions, which generally are
20 your baseline. So, yes, sir.

21 COMM. CONGLETON: I don't have a problem
22 with it. I just wanted to know if we had additional
23 monies or --

24 MR. TOWNSEND: No, we don't.

25 COMM. CONGLETON: -- where they came

1 from or if we were going to try to get the Legislature
2 to give us some more or whatever. Okay.

3 MR. CRUMP: Commissioners, before I
4 leave, I'd like to bring up one other thing. One
5 thing that we really don't know is the Data Center
6 Services cost. Obviously, it's in the capital budget.
7 We're required to participate.

8 We're developing estimates based on a DIR
9 template, if you will. But everyone recognizes that
10 that contract is under review. So, we really don't
11 know what those costs are, and we're doing the best
12 with that. So, I'll -- we'll probably have some
13 private discussions around that, also.

14 COMM. ALCANTAR: Chairman, I -- I have
15 some thoughts. But like you, I think I'd like to wait
16 to see what the instructions are and handle some of
17 these individually and -- and -- sit down again.

18 CHAIRMAN PAUKEN: All right. Okay.
19 Thank you.

20 (Proceedings concluded: 10:35 a.m.)

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25

1 C E R T I F I C A T E

2 STATE OF TEXAS)
3 COUNTY OF TRAVIS)

4

5 I, Janis Simon, Certified Shorthand Reporter
6 in and for the State of Texas, do hereby certify that
7 the above-mentioned matter occurred as hereinbefore
8 set out.

9 I FURTHER CERTIFY THAT the proceedings of
10 such were reported by me or under my supervision,
11 later reduced to typewritten form under my supervision
12 and control and that the foregoing pages are a full,
13 true, and correct transcription of the original notes.

14 IN WITNESS WHEREOF, I have hereunto set my
15 hand and seal this 2nd day of June 2010.

16

17

18

19

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