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TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS WORKFORCE COMMISSION
AUSTIN, TEXAS

PUBLIC MEETING)
FOR THE TEXAS)
WORKFORCE COMMISSION)

COMMISSION MEETING

TUESDAY, AUGUST 17, 2010

BE IT REMEMBERED THAT at approximately
9:00 a.m., Tuesday, the 17th day of August 2010, 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 Janis Simon, a Certified
Shorthand Reporter of:

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

2 TUESDAY, AUGUST 17, 2010

3 (9:00 a.m.)

4 AGENDA ITEM NO. 1

5 CHAIRMAN PAUKEN: We'll now come to
6 order, and I'll turn over this portion of the meeting
7 to Commissioner Alcantar to preside over Agenda Items
8 2 through 5.

9 COMM. ALCANTAR: Thank you, Chairman
10 Pauken.

11 Good morning.

12 AGENDA ITEM NO. 2

13 Discussion, Consideration, and Possible
14 Action Regarding Whether to Assume Continuing
15 Jurisdiction on Unemployment Compensation Cases, Wage
16 Claim Cases, and/or Tax Liability Cases and
17 Reconsideration of Unemployment Compensation Cases,
18 Wage Claim Cases, and/or Tax Liability Cases, if Any

19 No discussion.

20 AGENDA ITEM NO. 3

21 Discussion, Consideration, and Possible
22 Action Regarding Tax Liability Cases Listed on the
23 Texas Workforce Commission Docket 33

24 The Commission considered and took
25 action on all Tax Liability Cases listed on Docket 33.

1 AGENDA ITEM NO. 4

2 Discussion, Consideration, and Possible
3 Action Regarding Higher Level Appeals in Wage Claim
4 Cases listed on the Texas Workforce Commission
5 Docket 33

6 The Commission considered and took
7 action on all Wage Claim Cases listed on Docket 33.

8 AGENDA ITEM NO. 5

9 Discussion, Consideration, and Possible
10 Action Regarding Higher Level Appeals in Unemployment
11 Compensation Cases Listed on the Texas Workforce
12 Commission Docket 33.

13 The Commission considered and took action on
14 all Unemployment Compensation Cases listed on Docket
15 33.

16 (The Commission paused, then continued
17 with the remainder of the agenda.)

18 AGENDA ITEM NO. 6

19 CHAIRMAN PAUKEN: Mr. Jones, no public
20 comment.

21 AGENDA ITEM NO. 7

22 CHAIRMAN PAUKEN: No. 7, discussion,
23 consideration, and possible action regarding the
24 acceptance of pledges for Fiscal Year -- I don't know
25 that we have anything on No. 7 this morning. Do we,

1 Ms. Miller?

2 MS. MILLER: (Shaking head)

3 AGENDA ITEM NO. 8

4 CHAIRMAN PAUKEN: No. 8, discussion,
5 consideration, and possible action regarding the
6 estimated Unemployment Trust Fund balance pursuant to
7 Texas Labor Code Section 204.061 and the estimated
8 Employment and Training Investment Holding Fund
9 balance available for transfer pursuant to Texas Labor
10 Code Section 204.123, Mr. Townsend and Mr. Crump.

11 MR. TOWNSEND: Good morning,
12 Mr. Chairman and Commissioners. For the record, Randy
13 Townsend, Chief Financial Officer. I'm going to be
14 here for a few -- a few agenda items. I thought we'd
15 just go ahead and start at the table this morning.

16 The Trust Fund projection we've made as of
17 August 11th. We're preparing this projection, of
18 course, for the October 1st, 2010 date. On October
19 1st, 2010 we expect the Trust Fund balance to be zero.

20 We also expect that we'll have an
21 outstanding Title 12 advance, a loan amount from the
22 feds, totaling 1 billion 568 million on October 1st.
23 We're also estimating that we would owe about 2.1
24 billion by about December 31st on that Title 12
25 advance.

1 Let me share with you this morning,
2 Commissioners, a few of the trends for the Trust Fund.
3 For the last six completed weeks -- and this was
4 information ending July 31st of 2010 -- total net
5 benefits paid averaged 56 and a half million per week.
6 That was down about 37 percent from the six-week
7 average of 80, almost 90 million a year ago.

8 The initial claims averaged just over 19,000
9 for the six weeks ending July 31st. That was also
10 down slightly, about 13 percent, as compared to the
11 six-week average a year ago. Continued claims
12 averaged 219,395 for the six weeks ending July 31st,
13 and that -- the number of continued claims was down
14 about 26 percent -- 26 percent as compared to the
15 one-year ago six-week average on continued claims.

16 And that concludes my presentation,
17 Commissioners, if you have questions.

18 CHAIRMAN PAUKEN: Well, first of all,
19 Mr. Townsend and Mr. Crump, I want to thank you on
20 behalf of the Commissioners for a fine piece of work,
21 because this is a very -- this is a moving target.
22 And -- and, of course, you -- you know, there are a
23 lot of unpredictable aspects as you try to wade
24 through where we're going to be in terms of our
25 deficit. And you have really been on the money in

1 terms of your projections.

2 I will say, what concerns me -- and I know
3 it's encouraging, of course, compare initial claims
4 and continued claims with a year ago today versus a
5 year ago. But when you look at those claims and you
6 see the national figures of jobless claims going back
7 up and you see sort of a persistent -- persistent high
8 number relatively -- relative to the historic figures
9 of both initial claims and continued claims and -- and
10 also just the figures I saw the other day about
11 nationally more people out of work for longer periods
12 of time than in any time since World War II. So, this
13 is something, you know, at some point the continued
14 claims may mean they drop off our system but go on the
15 extended federal system and ultimately exhaust those
16 benefits and wind up going off both systems.

17 So, I applaud the good work that y'all have
18 done on this. It's just a very difficult period, even
19 in Texas where we're doing better than any other large
20 labor market state. It's -- it's -- obviously, it's a
21 difficult situation as we work through it and how best
22 to, if you will, address this issue and lay out
23 alternative plans prior to the end of the year.

24 Commissioner Congleton, any comments or
25 questions?

1 COMM. CONGLETON: I appreciate the fine
2 work.

3 CHAIRMAN PAUKEN: Commissioner Alcantar.

4 COMM. ALCANTAR: No comments.

5 CHAIRMAN PAUKEN: Okay.

6 MR. TOWNSEND: Thank you, Commissioners.

7 AGENDA ITEM NO. 9

8 CHAIRMAN PAUKEN: All right. Issue 9,
9 discussion, consideration, and possible action
10 regarding a bonding resolution for the Unemployment
11 Insurance Trust Fund, again, Gene Crump and Randy
12 Townsend. And who is going to take the lead on it --

13 MR. TOWNSEND: Mr. --

14 CHAIRMAN PAUKEN: -- Mr. Townsend?

15 MR. TOWNSEND: -- Mr. Chairman, I will
16 take the lead.

17 CHAIRMAN PAUKEN: Okay.

18 MR. TOWNSEND: Again, Randy Townsend,
19 for the record.

20 What Mr. Crump is passing out, I did a
21 little bit more work this morning. I -- I felt,
22 perhaps, a little bit more background would be useful
23 as we talk about the -- the proposed bond resolution
24 this morning. And what I've done there for -- for
25 your information this morning is just give a little

1 bit more background as it relates to our Trust Fund
2 and the -- the -- the Texas Unemployment Trust Fund
3 and the benefits that we've paid out going back as far
4 as 1980.

5 And I've done this in two ways for you this
6 morning: I've done it on top part showing you a graph
7 of the actual dollar amounts, again, over this almost
8 30-year period. And at the bottom I've shown you that
9 same information as it relates as a percentage -- the
10 benefits paid as a percentage of what we refer to as
11 total covered wages. To give you some relative
12 perspective as -- over a period of time, I think
13 that's about the best way you can actually compare
14 over this 30-year span as it relates to the Trust
15 Fund.

16 Obviously, we've -- we've all known that
17 we've had higher benefits paid in 2009 and -- and what
18 we're estimating for 2010, approaching 3 and -- 3.4 or
19 3 point -- or -- billion or so over the last two
20 years. What I found very enlightening, though -- and
21 I think we all know this -- again, is that when you
22 compare that number to the three-year period, 2006 to
23 2008 period, the three-year period, we paid out just
24 over 3 and a half billion during that three-year
25 period. In the last two years alone, each year we've

1 paid out well over 3 -- 3 billion. So, that gives you
2 some relative perspective as to the significance to
3 our Trust Fund and why we'll be talking about the bond
4 resolution this morning.

5 So, I thought that was -- it was at least
6 helpful for me to see those numbers in relative terms
7 as well, so --

8 CHAIRMAN PAUKEN: Yeah, and it's
9 interesting to see how you -- you -- you know, you
10 take it all the way back to 1980. And, of course, as
11 a percentage we're bumping above what -- the nasty
12 recession that took place in 2002 and 2003, and those
13 of us old enough to remember when we really got
14 hammered in '86 and '87, which was at a little -- a
15 higher percentage. Of course, the -- the number of --
16 of -- of benefits was much lower but our economy was,
17 you know, so much -- has grown so much since then in
18 Texas.

19 And, obviously -- I guess what surprises me
20 is the highest percentage was in 1983.

21 MR. TOWNSEND: Yes, sir.

22 CHAIRMAN PAUKEN: And that was -- and
23 then it -- it really began to come down. And you
24 see -- you know, you see the economic growth kicking
25 back in until -- you know, until really 2002.

1 Amazing. A very interesting dynamic. Thanks for
2 preparing this, Mr. Townsend.

3 MR. TOWNSEND: You're welcome.

4 CHAIRMAN PAUKEN: Commissioner Alcantar.

5 COMM. ALCANTAR: I have no questions.

6 CHAIRMAN PAUKEN: Commissioner

7 Congleton.

8 COMM. CONGLETON: No questions.

9 CHAIRMAN PAUKEN: Okay.

10 MR. TOWNSEND: Then I'll proceed with --
11 Commissioner, I proceed with the -- just a brief
12 outline of the -- the bond resolution before you --
13 for your consideration this morning. As -- as you
14 know, Commissioners, you have to come to a -- a -- a
15 determination with regard to any potential bond issue
16 by determining that the -- the bond issue would result
17 in savings to the state and to employers in the state
18 as -- as compared to borrowing or obtaining a federal
19 advance. We have put -- my staff and I have put
20 together some information for you. We've gone over
21 this in individual briefings showing you really two
22 alternatives.

23 One, being a bond issue. In that case, we
24 made an assumption, if you were to issue 3 billion in
25 bonds over a -- a seven-year period at an average

1 interest rate of -- of 3 percent and compared that to
2 if you did not have a bond issue and relied on a
3 combination of deficit assessment, taxes, as well as
4 a -- a reduction in -- in our federal unemployment tax
5 for employers. I've gone over all of that with you
6 and provided that information to you and --
7 demonstrating that it would be a more cost-effective
8 alternative to look at a bond issuance. And,
9 therefore, we proceeded to draft -- in working with
10 Legal -- Finance working with Legal, prepared a draft
11 resolution for your consideration this morning of
12 which we would -- we -- staff would recommend, just to
13 be on the safe side, that you authorize Public Finance
14 Authority to begin the process, working with their
15 folks they would need to have in place to -- a
16 potential bond issue up to 3 and a half billion, a
17 little bit more than I -- we had run the numbers on,
18 just to have the possibility if that would be
19 necessary as a -- an item to consider and up to a
20 10-year period.

21 And so those are amounts that we've -- or
22 are numbers we have included in the bond resolution
23 for your consideration. The reason it will be more
24 cost-effective in our determination is that we're
25 looking at an interest rate, we think, around 3

1 percent or hopefully lower on a bond issuance, as
2 compared to borrowing from the feds at -- at a rate
3 that's currently over 4 -- around 4 percent and had
4 been over 4 and a half percent as of about, I think,
5 less than six months ago. So, that's what really
6 results in -- in the determination of being more
7 cost-effective.

8 And, with that, if you have any questions
9 or -- or comments you would like to offer, I'd be
10 happy to address those.

11 CHAIRMAN PAUKEN: Well, just, you know,
12 again, thanks for -- for the good work. And I -- I
13 think, you know, my concern has been as much as
14 possible to make it tax exempt and also to extend it
15 out if there's not a -- as far as possible, because
16 rates are -- are so low at this -- at this point if we
17 have to go in the direction of the bond. And I think
18 you've got the -- obviously, the discretion in there
19 where you have looking at seven years but potentially
20 a 10-year extension -- extension. And maybe tax
21 exempts wind up being very low through 10 instead of
22 seven, particularly in light of the recent fed action.

23 But having -- having said that -- and -- and
24 my understanding is that with this resolution, if
25 we -- if there is still a -- an extension by Congress

1 of the no-interest loans, then prior to the actual
2 issuance, we could always put those off.

3 Any comment on that, Mr. Crump? Which,
4 obviously, at zero interest is better even than the 3
5 percent tax exempt interest.

6 MR. CRUMP: Yes, sir.

7 CHAIRMAN PAUKEN: Mr. Crump.

8 MR. CRUMP: Yes, sir. Thank you.

9 For the record, Gene Crump, Deputy Executive
10 Director.

11 Mr. Chairman, you're -- you're exactly
12 correct. We've been in close contact with TPFPA. And
13 up until the day we actually sell the bonds, we could
14 actually stop the bond sale. One thing that we -- we
15 should remind everyone that's listening about is, even
16 if the free-interest period was extended, Congress did
17 not take action on suspending the FUTA tax credit.
18 So, to maintain the maximum FUTA tax credit for our
19 employers, we would have to continue with the bond
20 sale, even if the free-interest borrowing period was
21 extended. So, that would be an important factor for
22 the Commission to consider if that were to take place.

23 CHAIRMAN PAUKEN: Okay.

24 Commissioner Congleton.

25 COMM. CONGLETON: I have no questions.

1 CHAIRMAN PAUKEN: Commissioner Alcantar.

2 COMM. ALCANTAR: I just want to thank
3 Randy and Gene for the great briefings, and thanks for
4 the good work.

5 CHAIRMAN PAUKEN: Okay. All right. Is
6 there a motion, Commissioner Congleton?

7 COMM. CONGLETON: I move that we today
8 resolve the issuance of bonds as necessary to avoid
9 the need to obtain federal advances, that such bonds
10 will result in savings to Texans and that the issuance
11 of these bonds is the most effective method to fund
12 unemployment benefits in the short term. Furthermore,
13 I move that we execute and deliver a request fir
14 financing to the Texas Public Finance Authority for
15 the issuance of bonds at a maximum principal of 3.5
16 billion, not to exceed 2 billion, for any separate
17 bond issue. Our Executive Director is authorized to
18 act on behalf -- to negotiate and execute such
19 documents as may be necessary for the issuance of the
20 bonds.

21 COMM. ALCANTAR: I would second.

22 CHAIRMAN PAUKEN: It's unanimous.

23 MR. TOWNSEND: Thank you, Commissioners.

24 AGENDA ITEM NO. 10

25 CHAIRMAN PAUKEN: Okay. All right.

1 Agenda Item 10, discussion, consideration, and
2 possible action regarding the Fiscal Year 2011
3 Operating Budget and the Fiscal Year 2012-2013
4 Legislative Appropriations Request, including funding
5 priority, staffing levels, performance measures, and
6 other budget-related issues, again, Mr. Townsend and
7 Mr. Crump.

8 MR. TEMPLE: Mr. Chairman, I -- I do
9 want to express thanks to staff in working on these
10 budgets, looking at coming down off of all the
11 Stimulus money that we've had and trying to level out
12 services and working with the boards and particularly
13 on the expenditure -- obligation expenditures, all
14 these dollars at -- both at the state level and -- and
15 at the local level. The boards have done a really
16 good job. The reporting on these things have been
17 unbelievable, but we've gotten those dollars out and
18 we've done our regular work. And there's -- there's a
19 lot of -- a lot of work into this, and I just wanted
20 to thank everyone for -- for the good job done.

21 CHAIRMAN PAUKEN: Okay. Mr. Townsend.

22 MR. TOWNSEND: Again, for the record,
23 Randy Townsend.

24 Commissioners, I had provided a separate
25 notebook with more -- a few more detailed schedules

1 for your consideration this morning. What I thought I
2 would -- I really wanted to cover just a couple of
3 things this morning and then propose that we bring
4 this back for final Commission action next -- next
5 week, but I think there's a few items in here it would
6 be helpful to get your direction and -- and make sure
7 we're -- we'll be able to bring that back for final
8 decision making next -- next Tuesday.

9 I had put a summary point -- a summary of
10 the highlights together for our 2011 budget. I
11 thought that might be helpful just, again, going
12 through real quickly the -- the numbers at -- at that
13 level. I think you, of course, know all this, but it
14 gives a little bit more perspective perhaps for the
15 listeners as well.

16 I started out this time to -- just to give
17 you a better idea of the method of finance. We -- we
18 know we're heavily funded with federal funds in this
19 agency. What that first section is showing, well over
20 80 percent of our agency's budget is -- is from
21 federal sources.

22 The largest are -- federal sources are Child
23 Care -- again, this is not any surprise -- Workforce
24 Investment Act, Unemployment Insurance, and Choices.
25 That makes up the -- the vast bulk of the -- of the

1 federal funds.

2 We did receive Recovery Act Funds. Again,
3 this is just showing for 2011 through '13. We -- we
4 are proposing to spend some Recovery Act Funds
5 primarily from our -- the Stimulus Funds that we
6 received for the UI Special Admin. We've got some
7 initiatives in here that have been briefed to you for
8 consideration to enhance some of our IT systems that
9 have for years been very much in need of -- of some
10 updating and some reprogramming, and we've got that
11 built in.

12 The one item under Recovery Act Funds I
13 thought I would -- would bring up, specifically
14 under -- under Employment Services, we -- we -- you
15 had taken previous action a few months ago as we put
16 the planning estimates together for Employment
17 Services. You had authorized at that time just over
18 10 million, I -- I believe, is the number funded out
19 of some ES carry-forward dollars, as well as some of
20 the UI Special Admin for Reemployment Services. And
21 that's showing the 3 -- 3 million here for 2011 that
22 we have currently in the budget for that item.

23 And I -- and I also wanted to show you on
24 that as well, when you go to the second page of the
25 summary where you see that actually showing up under

1 the TWC FTE Section, which is about the middle of the
2 page, there's an Employment Services strategy there.
3 It's the second row under the TWC FTEs by strategy,
4 and you'll see those additional FTEs in 2011.
5 We're -- we're estimating about 948 staff, FTEs, and
6 then dropping back down to 600. And the -- how we're
7 able to fund that, again, is we're using our
8 carry-forward dollars from our prior years that we
9 were fortunate enough to have -- have in reserve, as
10 well as the ES Recovery Act dollars. And so I did
11 want to point that out.

12 And -- and, Commissioner Alcantar, I think
13 you might -- wanted to -- to address this as well a
14 little bit, as I recall.

15 COMM. ALCANTAR: Yes. Thank you, Randy.

16 Commissioners, I really like the -- the fact
17 that this proposal, this budget as outlined really
18 makes significant investments in our UI system. I
19 know that all of us have wanted some of these changes
20 to -- to occur. And what that does is cover
21 investments over the -- over the current year and the
22 next four years. And having made those investments, I
23 think we still have some flexibility in terms of those
24 UI dollars to continue some of the investment that
25 we've made in -- in ES staffing as reflected in the

1 948 FTEs that we have showing there for FY 2011.

2 What I'd like to do is to propose that we
3 consider using some of the remaining dollars that
4 aren't dedicated towards UI projects over the next
5 five years to try to maintain some of that staffing
6 over the next biennium, over a two-year period to
7 allow the boards to -- to ramp down a little bit.
8 Obviously, we don't have sufficient funding to
9 cover -- or -- or stay at those levels, but I do
10 believe that we have sufficient funding to keep about
11 150 FTEs over a one-year period or to level those out
12 over a two-year period. And I think it would be a
13 pretty good investment given some of the numbers that
14 we project to see in this budget in terms of customers
15 coming to our doors.

16 CHAIRMAN PAUKEN: Well, here -- here's
17 my concern, Commissioner Alcantar. And I -- I guess
18 when I first got here I was surprised to see, you
19 know, how outmoded our IT system was. And, of course,
20 they looked at doing upgrading it in the past. And
21 then because of costs and other considerations, it was
22 put off, and it kept getting put off.

23 And it's -- and they -- we have a great
24 group of people. Dee and his group, I think, do a
25 marvelous job here. But I tell you, I sure was

1 concerned that we get into this short time "Oh, we
2 need this, or we need that," and as a result we put
3 off an important, long-term investment that is
4 critical. And -- and -- and I didn't like going
5 through what we went through with this ramp up of
6 claimants and -- and -- and -- and a system and our
7 people having to work double time, over time, do
8 whatever they can and the system crashing partly not
9 due to our fault but because of issues with regard to
10 the state system. So, anything that jeopardizes in
11 any way our IT upgrade, I am strongly opposed to
12 because we've gone a long way.

13 So, I'm comfortable based on the discussions
14 I've had from staff that we're able to do for 2011
15 what you recommended. But beyond that, I -- I don't
16 want -- I -- I just -- I -- I -- I am reluctant to do
17 anything at this time until we have a clear indication
18 that we can get this IT system upgraded and that --
19 that any diversion of funds from that wouldn't not
20 adversely affect it.

21 COMM. ALCANTAR: Absolutely. I mean, my
22 commitment to enhancing our systems is as strong as
23 yours, and I think we all share that commitment. And
24 before I went down this road, one of the things that I
25 asked staff is, "Is there anything else that we can do

1 in terms of UI investments over the next five years?
2 Can we move some of these things up?" And the
3 response I -- I received was, "I don't believe that we
4 can add any more projects." So, I think the fact that
5 if we -- if we decide to --

6 (Simultaneous discussion)

7 CHAIRMAN PAUKEN: Well, can -- couldn't
8 we wait a little bit for 2012 or out a year and see?
9 We could always move something over later. Leave it
10 the way it is now to give us protection and then make
11 an adjustment at the appropriate time.

12 COMM. ALCANTAR: At some point next
13 year?

14 CHAIRMAN PAUKEN: Yeah.

15 COMM. ALCANTAR: I'm fine --

16 CHAIRMAN PAUKEN: Would you be open --
17 be open to that? I just don't want to --

18 COMM. ALCANTAR: No, no --

19 CHAIRMAN PAUKEN: -- I just don't want
20 to take the risk of -- of cutting into the -- what --
21 what we might need for IT upgrade --

22 COMM. ALCANTAR: No, I --

23 CHAIRMAN PAUKEN: -- at this point,
24 until we know there's some additional funds that are
25 available that, you know, I'm -- I'm all for the

1 Employer Services -- Employment Services side of the
2 equation in these difficult times as well.

3 COMM. ALCANTAR: I do think we have
4 flexibility. I think the important point is that at
5 some point in the spring we need to let these boards
6 know whether or not --

7 CHAIRMAN PAUKEN: Okay.

8 COMM. ALCANTAR: -- they're going to be
9 able to maintain these staffing levels. I think it's
10 really important to let them understand what the
11 dollars are going to be in -- in terms of them being
12 able to maintain some of these key people. I really
13 think that I'd like to move forward in a very
14 reasonable, caution manner. And I think we have some
15 time to do that. I just think as a part of that
16 internal discussion we need to be sure and apprise the
17 committees as we move forward during that period, too.

18 CHAIRMAN PAUKEN: Okay.

19 Commissioner Congleton.

20 COMM. CONGLETON: Well, taking both
21 of -- what you both said, of course I want to make
22 sure our ES projects go forward. But I like the idea
23 of extending the ES as well with -- with certain
24 reservations, of course, because our track record says
25 that these contractors who supervise our ES are using

1 those people other than for ES work. Now, if that's
2 the case, that's just money in their pocket, because
3 they don't have to hire somebody on their staff.

4 But as long as we make sure that they're
5 doing ES work, that they are reporting to us, and that
6 they are -- we have some measure to make sure that
7 happens, I'd like to see an extension of the ES
8 programs.

9 CHAIRMAN PAUKEN: Okay. But could we
10 leave it the way that the staff has recommended for
11 the time being on the budget which does provide,
12 obviously, for --

13 (Simultaneous discussion)

14 COMM. CONGLETON: Why don't we hold
15 this -- can we hold this to next week? We can't do
16 that? We need to --

17 MR. CRUMP: Commissioners, Mr. Chairman,
18 if I may interrupt again.

19 CHAIRMAN PAUKEN: Okay.

20 MR. CRUMP: Gene Crump, Deputy Executive
21 Director.

22 If we could -- as Randy proposed earlier,
23 this was for the initial review for the Commission.
24 If we could talk about this item during the next week
25 but have a decision next week, because it would be

1 important to identify the appropriation authority in
2 FY '12 and '13 in -- in our LAR request. I understand
3 the Chairman's request to be able to delay it to allow
4 us to work the IT projects and -- and get more clarity
5 on how that's going to look. But in terms of
6 appropriation authority, we'll actually need a
7 Commission decision to get that appropriation
8 authority into '12 and '13 request.

9 So, it does bind the Commission a little bit
10 in wanting to get more time to consider it, and I -- I
11 apologize for that but --

12 CHAIRMAN PAUKEN: Okay.

13 MR. CRUMP: -- it's --

14 CHAIRMAN PAUKEN: Well, would you be
15 able to tell us whether this could -- you know, any
16 change in what's being proposed here, which is, you
17 know, protection in 2011 but a decline going into 2012
18 and Fiscal Year 2013, whether that -- any alteration
19 to what you're proposing which would increase the
20 Employment Services funding during FY 2012 and FY 2013
21 over what you've recommended, what impact, if any, it
22 would have on the IT upgrade.

23 MR. CRUMP: And if I may respond to
24 that, Mr. Chairman, today. Basically, the projects
25 that are scheduled for '14 and '15, all of the

1 projects as y'all have been briefed, are very, very
2 solid projects. But the IT projects scheduled for FY
3 '14 and '15, sir, are not the critical needs that we
4 have. All of those projects are currently scheduled
5 for FY '11, '12, and '13, the refurbishment of the tax
6 system, improving the CSRs's screens, all of those
7 projects are front-loaded. The projects --

8 (Simultaneous discussion)

9 CHAIRMAN PAUKEN: -- IT?

10 MR. CRUMP: Yes, sir, on the Information
11 Technology side to help us on the --

12 CHAIRMAN PAUKEN: Correct.

13 MR. CRUMP: -- serve Texans and
14 employers. So, the projects that we would, if you
15 will, borrow the money from from '14 and '15 and move
16 into '12 and '13, would be about six projects. Again,
17 they are good projects, but they're not critical for
18 the infrastructure. They are enhancements to the
19 system. They're projects that have been looked at,
20 and we would certainly look to do those at some point
21 in the future. Potentially, if we earned overbase
22 dollars, we would have the money in '14 and '15.

23 So, when Commissioner Alcantar first asked
24 about this, I explained that the two projects that
25 he's preserving for '14 and '15 are the two projects

1 with the highest return on investment. They are the
2 message centers for employers and for claimants. The
3 remaining six projects, while again very good
4 projects, are not part of the infrastructure piece
5 that, Mr. Chairman, your worry lies around --

6 CHAIRMAN PAUKEN: Okay.

7 MR. CRUMP: -- if that helps y'all come
8 to a decision --

9 CHAIRMAN PAUKEN: All right. Well, why
10 don't you brief our offices this week, and then we'll
11 be prepared to make a decision next week.

12 MR. CRUMP: Yes, sir.

13 CHAIRMAN PAUKEN: And -- and then, if
14 you would -- Commissioner Alcantar, if you could brief
15 our staff -- obviously, because of the crazy Open
16 Meetings rule we can't have a discussion on that
17 outside this room. But if you could brief Career
18 staff on what your numbers show to enlighten myself,
19 maybe Commissioner Congleton already knows that --

20 COMM. CONGLETON: I've -- I've had this
21 conversation --

22 CHAIRMAN PAUKEN: Okay. All right.
23 Okay.

24 COMM. ALCANTAR: But I made sure that in
25 costing this out, Chairman, that we not only cover

1 everything that's already in here. But rather than
2 leaving the dollars out there for FY '14 or '15 that,
3 after we take care of all the critical projects that
4 are so important to you and to -- and to us, is that
5 looking at where we stand at the end of FY '13 here,
6 what's left, and of those projects that are left,
7 which of those have the best return on investment.

8 CHAIRMAN PAUKEN: Correct.

9 COMM. ALCANTAR: And so Gene -- I asked
10 staff to look at it and cost out those items. And
11 after we do that, what do we have left to invest in
12 this alternative approach. And that's the process --

13 CHAIRMAN PAUKEN: All right.

14 COMM. ALCANTAR: -- that I asked staff
15 to engage in, and I think we can revisit that next
16 week.

17 CHAIRMAN PAUKEN: Okay. Good. If
18 you -- just so it's in a way -- an apple or an orange,
19 as my old boss in the venture capital business -- do
20 you prefer to do this or that. Okay. That's fine.

21 COMM. ALCANTAR: Thank you.

22 CHAIRMAN PAUKEN: Okay.

23 MR. TOWNSEND: Mr. Chairman, can I -- if
24 I could, I have a couple more items if I --

25 CHAIRMAN PAUKEN: Okay.

1 MR. TOWNSEND: -- on the budget if I
2 could briefly.

3 CHAIRMAN PAUKEN: And you don't need a
4 decision from us this week on the -- on Item Number --

5 MR. TOWNSEND: I will need some
6 direction on -- on the one item I haven't covered yet
7 with you --

8 CHAIRMAN PAUKEN: Okay.

9 MR. TOWNSEND: -- on the GR reduction,
10 if I could, just to make sure we know how to present
11 that. I mean, I think we -- we've briefed each of you
12 individually on that, but I think in this discussion
13 it would be helpful to make sure we're on the right
14 track with -- with our understanding of how we want to
15 proceed.

16 Let me just -- to -- to lead into that
17 discussion, still on that summary page, I move down to
18 General Revenue. As part of our overall budget,
19 General Revenue Funds make up just over 12 -- right
20 around 12 percent of our overall budget. Most of that
21 is concentrated in our Child Care Program at about \$70
22 million. 28 million of that is maintenance of effort
23 that we have to spend for Child Care each year, and
24 then the -- the remaining amount, 42 million of that,
25 is for GR match. And I'll come to that in just a

1 little bit more detail in just a moment.

2 The -- the other big portions of our General
3 Revenue are our Skills Development Program, and then
4 Project RIO drops down to -- under that.

5 Moving on. So, let me then -- the other
6 page just summarizes the information by strategy and
7 object of expense. You've been through that before --

8 CHAIRMAN PAUKEN: Could I -- could I
9 just ask on Project RIO, why the jump in revenue
10 request on that increase --

11 MR. TOWNSEND: I don't --

12 CHAIRMAN PAUKEN: -- from 11 to 12?

13 MR. TOWNSEND: On Project RIO?

14 CHAIRMAN PAUKEN: Uh-huh.

15 MR. TOWNSEND: I believe we're at 10 --
16 10 million across the board. Am --

17 CHAIRMAN PAUKEN: Oh, I'm sorry. I'm
18 looking at -- I'm looking at something else. My
19 mistake.

20 MR. TOWNSEND: Okay.

21 CHAIRMAN PAUKEN: Okay.

22 MR. TOWNSEND: Shoo. (Laughter) I
23 thought you found something here.

24 Let me move to the -- the -- the LAR
25 Supplemental, what I've labeled the LAR Supplemental

1 Schedule to reduce the baseline request. And just
2 again as a reminder, this is -- this is very
3 confusing. This is not built into our base request
4 for the reduction, the 10 percent reduction for 2012
5 and '13. It is a separate schedule that we have to
6 include in our appropriation request, and we have to
7 identify -- each agency has to identify, not just TWC,
8 of course -- 10 percent in GR, General Revenue, and
9 General Revenue -- GR-related, they refer to it, 10
10 percent overall reduction for '12 and '13.

11 And we have to put that in two portions, if
12 you will: One being 5 percent amount and then another
13 separate 5 percent to -- adds to that total, and
14 you've got to give it in the priority order.

15 So, what I would like to do this morning is
16 just to make sure we're all on the same page here of
17 how we need to complete that schedule when we come
18 back next week, and -- and this other -- and you've
19 looked at this form before. What we have for you this
20 morning is we're proposing -- staff has laid out a
21 proposal that would look at reducing 10 percent out of
22 our GR match out of Child Care and that would -- over
23 the biennium, over a two-year period would add to
24 about 8 and a half million dollars, so about 4.2
25 million a year. The remaining amount would be taken

1 out of the Skills Development over the two-year
2 period, which would be just under \$20 million, and
3 that would -- that would achieve our 28 and a half,
4 almost 28 and a half million in GR reduction for the
5 exercise for that part of it.

6 I want to talk a little bit about the Child
7 Care. What we're proposing is that we would take that
8 8 and a half million reduction, and we would do a
9 couple of things. One, we would ask the boards --
10 and -- and this is -- this is going to be a challenge
11 for the boards. They have -- but they have -- they've
12 accomplished this in the past. We'd ask them to
13 increase their local match amount from about 27
14 million each year to just over 31.2 million.

15 When I looked back at 2009, the boards had
16 had a -- a significant year that year in terms of
17 achieving the local match. They were right around
18 31.8 or 31.9 million in that particular year, in 2009.
19 And so this would be just under that -- that target
20 level there.

21 What that would do, by raising that by 4
22 million or so a year, it would allow us -- the state
23 to still draw down all the federal match dollars that
24 go with -- with the state contribution. You would --
25 you would not be buying care with the local match as

1 you would with the GR, but you would be getting the
2 federal dollars that -- that is allowing us to
3 purchase the -- the child care. So, that part would
4 keep us at the same level of funding overall for the
5 Child Care Program.

6 What we've also proposed at the staff level
7 is that we -- we do have some carry -- some available
8 carry-forward dollars out of our federal discretionary
9 grant for Child Care, and we would propose that we --
10 if the Legislature wanted to make this reduction, that
11 we would direct those dollars to care as opposed to
12 having them available potentially for quality
13 initiatives, something along those lines. So, if we
14 did all that, then we still as an agency, as a state,
15 we could still maintain just under 111,000 children in
16 care per day, which is our target for the current
17 year, 2011, that we're looking at.

18 So, there's a couple of different things
19 going on with that, but I wanted to make sure that you
20 were -- understood how that all worked and what we
21 were proposing there for the Child Care, again, for
22 the exercise part. Going into this for '11, '12, and
23 '13, we're -- we're building into our base as if -- as
24 we're supposed to, and this would just be something
25 the Legislature could take a look at and -- and, of

1 course, make their -- their decisions as -- as they
2 get to that.

3 I'll pause for a moment and see if there's
4 any questions or clarification you --

5 CHAIRMAN PAUKEN: Commissioner Alcantar.

6 COMM. ALCANTAR: No, I -- I have no
7 questions, and -- but more importantly, it does
8 draw -- this proposal does draw down all of our
9 federal Child Care dollars --

10 MR. TOWNSEND: Yes, sir, it does.

11 COMM. ALCANTAR: -- and it maintains the
12 levels of care in terms of the current target --

13 MR. TOWNSEND: That is correct.

14 COMM. ALCANTAR: -- moving forward?

15 MR. TOWNSEND: Yes, sir.

16 COMM. ALCANTAR: Okay. Thank you.

17 CHAIRMAN PAUKEN: Okay.

18 Commissioner Congleton.

19 COMM. CONGLETON: No questions.

20 CHAIRMAN PAUKEN: Okay.

21 COMM. CONGLETON: Thanks for your
22 briefing.

23 MR. TOWNSEND: And I believe that
24 completes --

25 CHAIRMAN PAUKEN: All right.

1 MR. TOWNSEND: -- my portion if you had
2 questions.

3 CHAIRMAN PAUKEN: Okay. Thank you very
4 much. Thank you, Mr. Crump. Thank you, Mr. Townsend.
5 Always good work. Thank you.

6 AGENDA ITEM NO. 11

7 CHAIRMAN PAUKEN: All right. No. 11,
8 discussion, consideration, and possible action
9 regarding the renegotiation of performance targets for
10 all Local Workforce Development Board areas for Board
11 Contract Year 2010, Adam Leonard.

12 MR. LEONARD: Good morning,
13 Commissioners.

14 As we do typically this time of year each
15 year, I'm bringing to you staff recommendation that we
16 open up the renegotiation process for WIA performance
17 targets. We're reaching the end of the year, and WIA
18 statute provides that boards may request to
19 renegotiate their targets on performance measures.
20 And we would propose to follow a similar process to
21 which we've used in the past where boards would
22 provide us their proposed alternate targets along with
23 justification. Staff would review those, myself
24 working with Workforce, of course. We'd come around
25 and make recommendations for target adjustments or

1 not, as the case might be, and bring it back to you
2 for a vote in September for incorporation into the WIA
3 Annual Report.

4 CHAIRMAN PAUKEN: Commissioner
5 Congleton.

6 COMM. CONGLETON: You know, I don't have
7 a lot -- a lot of comments, but I would like to say
8 that, you know, we -- we have a 10-week measure which
9 is not an LBB measure, it's just a TWC measure. But
10 we don't have anything for the 72,000 people that have
11 exhausted and are out of work and still haven't found
12 a job after 93 weeks of unemployment, and I think we
13 ought to -- we ought to -- if we're going to try to
14 help people, we need to work on those folks who need
15 it the most. So, in your measures, let's see if we
16 could find something that would help us track those
17 people and see that we can put them to work.

18 MR. LEONARD: Absolutely.

19 COMM. CONGLETON: Thank you.

20 CHAIRMAN PAUKEN: Good point. All
21 right. Okay.

22 MR. LEONARD: Thanks.

23 AGENDA ITEM NO. 12

24 CHAIRMAN PAUKEN: Okay. No. 12,
25 discussion, consideration, and possible action

1 regarding distribution of General Revenue Funds from
2 the Skills Development Program allocation to the Texas
3 Back-To-Work Program to ensure continued services,
4 Luis Macias.

5 MR. MACIAS: Good morning, Mr. Chairman,
6 Commissioners. For the record, my name is Luis
7 Macias. I'm the Coordinator for the Texas
8 Back-To-Work Program.

9 Commissioners, this morning we're requesting
10 your approval for the distribution of an additional
11 \$3,402,000 that will be transferred from the FY '10
12 Skills Development Program Funds to the Texas
13 Back-To-Work Program. This transfer and distribution
14 will allow the Texas Back-To-Work Program to place
15 1620 additional unemployed UI claimants and would
16 allow us to continue the program through January of
17 2011.

18 Commissioners, currently, we have placed
19 2,886 individuals into jobs. We continue to see a
20 demand for the program. We think the boards have
21 started to hit their stride, if you will, and the
22 boards are currently placing individuals at about a
23 thousand per month. And so we feel that these funds
24 will assist us to continue in that effort.

25 We've provided you-all with a distribution

1 of those funds to the 28 workforce boards, and we
2 would ask your approval. I can answer any questions
3 that you-all have.

4 CHAIRMAN PAUKEN: Well, I -- I applaud
5 the -- the efforts here. I know this program got off
6 to a slow start with our -- our pilot project, and the
7 boards have really picked up on it and, particularly,
8 what's encouraging to me is so many of the small
9 businesses that are --

10 MR. MACIAS: Yes, sir.

11 CHAIRMAN PAUKEN: -- a good percentage
12 of small businesses are participating in the program.
13 And, again, I think it's a win/win situation. We're
14 taking people off the roles. They're getting back to
15 work and -- and providing some incentive for companies
16 to hire people. So, I -- I'm very supportive of this.

17 Commissioner Alcantar.

18 COMM. ALCANTAR: I -- I have no
19 questions.

20 CHAIRMAN PAUKEN: Commissioner
21 Congleton.

22 COMM. CONGLETON: I have one concern.
23 I'd like to see that we make a priority out of those
24 people who have exhausted and don't have any income.
25 First of all, it -- it helps them, and second, it

1 minimizes Texas's share of the federal funding. I'd
2 like to see -- let's make sure that those people get
3 front of the line, if we can.

4 MR. MACIAS: What we've done,
5 Commissioner, is we've provided the boards with an
6 outreach list of all the individuals who have
7 exhausted so that they would have that information on
8 hand --

9 COMM. CONGLETON: How many have they
10 hired? How many have they put in these --

11 (Simultaneous discussion)

12 MR. MACIAS: Well, the last time we
13 looked, which was when we were at about 2100. So,
14 we're asking for new numbers. So, I want to get those
15 to you later. About a third were exhaustees of the
16 2100 at that time, about 700 were exhaustees --

17 COMM. CONGLETON: Let's try to -- let's
18 try to find some way to measure those and make sure we
19 put those people out there -- where we can get them
20 back to work.

21 MR. MACIAS: Yes, sir.

22 CHAIRMAN PAUKEN: Okay. All right. Is
23 there a resolution?

24 COMM. CONGLETON: With those concerns, I
25 move that we approve the transfer of \$3,402,000 from

1 GR from the FY 2010 Skills Development Fund to the FY
2 2010 Texas Back-To-Work initiative and distribute that
3 money to the boards as presented by staff.

4 COMM. ALCANTAR: I would second.

5 CHAIRMAN PAUKEN: It's unanimous.

6 MR. MACIAS: Thank you, Commissioners.

7 CHAIRMAN PAUKEN: Thank you, Mr. Macias.

8 AGENDA ITEM NO. 13

9 CHAIRMAN PAUKEN: Discussion,
10 consideration, and possible action regarding the
11 proposed Workforce Investment Act waiver related to
12 on-the-job training, Debbie Carlson.

13 MS. CARLSON: Good morning,
14 Commissioners. Debbie Carlson with the Workforce
15 Division.

16 Last month you considered a proposed waiver
17 regarding a sliding scale reimbursement for on-the-job
18 training, and we posted that for public comment on our
19 Web site. We also discussed that on a conference call
20 with the Executive Directors of the boards. We
21 received no public comment, and so today we're asking
22 your approval to allow us to submit that waiver
23 request to DOL.

24 If you have any questions, I'll be happy to
25 answer those.

1 CHAIRMAN PAUKEN: Commissioner
2 Congleton.

3 COMM. CONGLETON: I have no questions.

4 COMM. ALCANTAR: I have no questions.

5 CHAIRMAN PAUKEN: Okay. Is there a
6 resolution?

7 COMM. CONGLETON: I move that we approve
8 staff recommendation to request a waiver to allow the
9 boards to give -- waive up to 75 percent of on-the-job
10 training --

11 COMM. ALCANTAR: I would agree.
12 (Simultaneous discussion)

13 COMM. CONGLETON: -- for employers
14 depending on the size.

15 COMM. ALCANTAR: I would agree.

16 CHAIRMAN PAUKEN: It's unanimous.

17 MS. CARLSON: Thank you.

18 CHAIRMAN PAUKEN: Okay. Thank you,
19 Ms. Carlson.

20 AGENDA ITEM NO. 14

21 CHAIRMAN PAUKEN: No. 14, discussion,
22 consideration, and possible action regarding the
23 proposed Workforce Investment Act waiver related to
24 Workforce Investment Act Fund redistribution, Debbie
25 Carlson.

1 MS. CARLSON: Again, for the record,
2 Debbie Carlson.

3 Also, last month y'all considered a proposed
4 waiver request regarding redistribution of WIA funds
5 so that we do not have to redistribute to all of the
6 boards that we did not receive funds back from.
7 Again, we -- we posted that proposed waiver on our Web
8 site. We discussed it with the Executive Directors on
9 a Friday conference call. We've received no public
10 comment in regard to this waiver request, and today
11 we're seeking your permission to send the waiver
12 request to DOL.

13 And I'll be happy to answer any questions --

14 CHAIRMAN PAUKEN: Commissioner
15 Congleton.

16 COMM. CONGLETON: No questions.

17 COMM. ALCANTAR: I have no questions.

18 CHAIRMAN PAUKEN: Any -- a resolution,
19 please?

20 COMM. CONGLETON: Move that we approve
21 the request for a waiver for deob and reobligation of
22 funds between the boards as recommended by staff.

23 COMM. ALCANTAR: Second.

24 CHAIRMAN PAUKEN: Okay. It's unanimous.
25 Thank you, Ms. Carlson.

1 AGENDA ITEM NO. 15

2 CHAIRMAN PAUKEN: No. 15, discussion,
3 consideration, and possible action regarding approval
4 of Local Workforce Development Board Nominees, John
5 Fuller.

6 MR. FULLER: Good morning, Mr. Chairman,
7 Commissioners, Mr. Temple. For the record, I'm John
8 Fuller with the Workforce Development Division.

9 Today before you you have nominees from
10 South Plains, East Texas, Brazos Valley, Cameron
11 County, South East Texas, and Rural Capital.

12 CHAIRMAN PAUKEN: I'm comfortable with
13 the nominees.

14 Any comment, Commissioner Alcantar?

15 COMM. ALCANTAR: I have no comments.

16 CHAIRMAN PAUKEN: Commissioner
17 Congleton.

18 COMM. CONGLETON: No questions, and I
19 move that we approve the board nominees from South
20 Plains, East Texas, Brazos Valley, Cameron County,
21 South East Texas, and the Rural Capital Workforce
22 Development Boards as presented.

23 COMM. ALCANTAR: I would second.

24 CHAIRMAN PAUKEN: It's unanimous.

25

1 AGENDA ITEM NO. 16

2 CHAIRMAN PAUKEN: My understanding
3 there's no report from Mr. McCarty today.

4 AGENDA ITEM NO. 17

5 CHAIRMAN PAUKEN: Mr. Temple, do you
6 have anything?

7 MR. TEMPLE: Commissioners, just one
8 thing. We've been talking to the boards in the -- I
9 think it's five or six counties that were declared
10 disaster areas down in the Valley relative to the
11 flooding from the last storm, and the boards will have
12 all of their information to us by the 20th. I guess
13 that's --

14 (Simultaneous discussion)

15 CHAIRMAN PAUKEN: What counties are
16 those?

17 MR. TEMPLE: Do we --

18 MS. MILLER: (Inaudible)

19 CHAIRMAN PAUKEN: Reagan Miller.

20 MS. MILLER: Reagan Miller, for the
21 record. We're working with Lower Rio, with Middle
22 Rio, and with Cameron County.

23 CHAIRMAN PAUKEN: And so all the
24 counties are in the --

25 MS. MILLER: In the Valley.

1 CHAIRMAN PAUKEN: -- in the Valley, Rio
2 Grande. And there's six counties that are --

3 MR. TEMPLE: -- six counties, five or
4 six counties.

5 MS. MILLER: That were declared
6 disasters? Yes.

7 MR. TEMPLE: And --

8 CHAIRMAN PAUKEN: And it was from Laredo
9 on down?

10 MS. MILLER: Yes --

11 MR. TEMPLE: Yes, sir. And we'll have
12 an NEG to Department of Labor by the end of -- of
13 August, and then we'll be working with the local
14 officials and the boards and --

15 CHAIRMAN PAUKEN: Okay.

16 MR. TEMPLE: -- for the services they
17 need. We'll keep you posted on that.

18 CHAIRMAN PAUKEN: All right.

19 AGENDA ITEM NO. 20

20 CHAIRMAN PAUKEN: Okay. Is there
21 anything else?

22 (No response)

23 CHAIRMAN PAUKEN: If not, is there a
24 motion to adjourn.

25 COMM. CONGLETON: So made.

1 COMM. ALCANTAR: Second.

2 CHAIRMAN PAUKEN: It's unanimous.

3 (Meeting adjourned: 10:15 a.m.)

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