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TRANSCRIPT OF PROCEEDINGS
BEFORE THE
TEXAS WORKFORCE COMMISSION
AUSTIN, TEXAS

PUBLIC MEETING)
FOR THE TEXAS)
WORKFORCE COMMISSION)

PERFORMANCE MEASURES MEETING
WEDNESDAY, OCTOBER 21, 2015

BE IT REMEMBERED THAT at 10:30 a.m. on
Wednesday, the 21st day of October, 2015, the above-entitled
matter came on for hearing at the Texas Workforce
Commission, TWC Building, 101 East 15th Street, Room 244,
Austin, Texas, before ANDRES ALCANTAR, Chairman, RONALD G.
CONGLETON and RUTH R. HUGHS, Commissioners; and the
following proceedings were reported by Alejandro Herrera,
Certified Court Reporter

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P R O C E E D I N G S

WEDNESDAY, OCTOBER 21, 2015

(10:31 a.m.)

CHAIRMAN ALCANTAR: Okay. We're ready to start our Performance Briefing. Reagan, who do we have up first? Good morning, Doyle, how are you?

MR. FUCHS: Good, Chairman. Chairman, Commissioners, good morning, Doyle Fuchs, with Labor, Market and Career Information, with the Economic Briefing for this month -- this quarter. You should have in your notebooks briefing materials for the previous two months. This will bring us up to date through most recently released data as of last Friday.

First -- the first page in the briefing materials for today shows our seasonally adjusted annual growth rates, year over year, back for the past 10 years. As you can see for the last two months our growth rates have slowed down even more and dropped below the U.S. for the first time in -- in quite some time.

We show the 1.9 percent job growth year over year in September, 2 percent for the U.S., is slightly less than the growth rates for the previous month. Since December our growth rate's been slowing, so, you know, the -- the further declines this month weren't a big surprise.

CHAIRMAN ALCANTAR: That happened because they

1 round it up and we round it down; right?

2 MR. FUCHS: Yeah, there you go.

3 CHAIRMAN ALCANTAR: All right.

4 MR. FUCHS: It -- I -- actually I think you're
5 right. And the next chart compares our total
6 nonagricultural jobs to our civilian labor force, again, on
7 a seasonally adjusted basis. You will notice that as far as
8 growth rates post-recession have not been able to sustain
9 the same kind of growth rates we saw pre-recession, and have
10 been falling off again since December. Our civilian labor
11 force numbers have fallen even faster. These are survey-
12 based numbers that tell us that those people are not in the
13 workforce and they're not drawing unemployment benefits, but
14 doesn't really explain to us why. There have been a number
15 of theories put forth as to why those civilian labor force
16 numbers are falling like they are. We've had some people
17 leave the state that came here for employment in the oil
18 patch that have gone back to their home states. We've also
19 had -- speculated that there's retirements or people just
20 sitting out of the job market living off whatever savings
21 they've accumulated and waiting for things to rebound. So,
22 again, all that is speculation on our part and others, but
23 the survey just tells us those folks are not in the labor
24 force right now and they're not drawing benefits.

25 The table following shows our indust -- our

1 employment levels by industry sector and -- and -- and
2 growth rates there. Trends of note there are total note --
3 nonagricultural employment was up 26,600 on a month to month
4 basis in September; that was number one in the nation in
5 terms of numbers of jobs added. Total private employment
6 also grew by 31,000, also number -- number one. Then our
7 growth rate month over month also topped the 50 states, so.
8 Numbers of note there, I highlighted some -- the -- the --
9 the numbers that dropped from last reporting last year. No
10 surprise mining and logging, primarily oil and gas
11 exploration, continued to climb and -- and are showing the
12 largest year over year decline among all the sectors.

13 The service providing sector remains robust.
14 We've had a number of -- sector-wide they've gained --
15 gained jobs year over year. Month over month increases were
16 largely for trade, transportation and utilities. And in
17 education and health services there as teachers returned to
18 work for the new school year in September or late August.

19 Of course, the thing driving a lot of the -- the
20 -- the issues in the -- in the mining and logging sector has
21 been the drop in oil prices. The next chart demonstrates
22 that. Oil prices peaked in July of '08 at a little over
23 \$133 a barrel. They're currently sitting at 46.70 a barrel
24 for West Texas Intermediate Crude. Break even cost
25 estimates range from about 35 to \$55 a barrel, depending on

1 the basin reporting and -- and individual operator, lower
2 cost in the Permian Basin, higher cost in -- in the Eagle
3 Ford and other shale areas, so a number of those producers
4 are -- are at or very near their cost of production and may
5 not be too surprising to see more wells idle if that trend
6 continues.

7 Baker Hughes' rig count on the next chart, or next
8 page, demonstrates the -- the changes that we've seen there
9 were -- were less than half the number of active rigs now
10 than we had at this time a year ago. Why is that important
11 to us? The following -- the next chart shows the
12 relationship between WTI crude oil prices and our annual
13 growth rates. They follow each other very closely
14 especially here post-recession. And job growth has
15 maintained itself to some degree because of -- of growth in
16 other sectors, or in service sector, but, again, you know,
17 it's -- WTI prices tend to be a leading indicator of what
18 our employment's going to -- going to do, or an advance
19 indicator.

20 Unemployment rates continue to -- to run lower
21 than U.S. levels. Have a little bit of an uptick this month
22 from last month. We're sitting at 4.2 percent for Texas
23 versus 5.1 percent nationwide.

24 Continuing in -- in initial claims in the next
25 chart, it dipped a little bit lower this month. And the

1 next table shows growth rates by Texas Metropolitan areas; I
2 highlighted a few there. San Antonio, New Braunfels, MSA
3 show the largest growth rate in September in -- in terms of
4 employment. And the -- Texarkana and Wichita Falls areas
5 showed a contraction on the bottom end of the chart.
6 Notable there, Austin, Round Rock at 3.2 percent growth.

7 Unemployment rates lowest in Amarillo with a shout
8 out again to Austin at 3.3 percent. In the number two spot,
9 highest rates, continue along the border with McAllen-
10 Edinburg-Mission MSA posting the highest rate at 7.4. Where
11 the jobs are now, looking at eight -- help wanted online job
12 postings through WANTED Analytics, summarized for the past
13 90 days in the next two tables, DFW, Austin, Round Rock, San
14 Antonio, New Braunfels and Tyler showing in -- saw an
15 increase in postings year to year. All other MSAs were
16 down, in some cases by quite a bit.

17 By occupation truck drivers continue to lead the
18 -- the list of -- of most numerous postings. Registered
19 nurses, number two. Truck drivers up, software developers,
20 food prep supervisors and web developers -- excuse me, web
21 developers are down - didn't change a color there. Saw
22 another dip in -- in registered nurses this time, I know
23 that was a question we had last month -- or last quarter.
24 They are up quite a bit from where they were last quarter,
25 but continue to trend lower than a year ago -- not a lot of

1 information as to why those numbers are showing up the way
2 they are in that help wanted online Analytics software --
3 continue to be our second most in demand occupation in those
4 listings and -- and I think the -- the -- the dip year to
5 year is more because of the types of listings that are out
6 there and the companies that are listing rather than a --
7 than a real decline in demand for nurses.

8 Added at the end of the -- the briefing materials
9 some general economic information that might be of interest,
10 stop market performance data, the Dow Jones industrial
11 average closed at 17,216 points on Friday. That's down 4.2
12 percent from where we were in mid-July at our last briefing.
13 But up 5.1 percent from a year ago. Over the last 12 months
14 we've dropped as low as 15,666 points and we got as high as
15 18,400 almost, so. Sales tax collections continue to trend
16 higher for Texas in both overall and in the retail sector.
17 Collections were up in August, dropped in September,
18 following pretty much seasonal kind of patterns there.
19 Consumer confidence and housing permit issued continued to
20 trend higher.

21 That concludes my briefing. I want to thank the
22 staff and LMCI that helped put this together, so, could I
23 take -- entertain any questions you might have?

24 CHAIRMAN ALCANTAR: All right. Commissioners, any
25 questions?

1 COMM. HUGHS: No, thank you.

2 CHAIRMAN ALCANTAR: Think they're really good
3 updates. Larry, who's next?

4 MR. TEMPLE: Randy.

5 CHAIRMAN ALCANTAR: Good morning, Randy.

6 MR. TOWNSEND: Good morning, Chairman,
7 Commissioners. For the record, Randy Townsend, Chief
8 Financial Officer. Under Tab II I'll be going over briefly
9 the information for the financial status for the 12 months
10 ending August 31st, 2015. I wanted to report for fiscal
11 year '15 the -- we -- we expended one -- 1,143,000,000, that
12 was about 96 and a half percent of the overall agency
13 budget. Those expenditures were up roughly about 52 million
14 over last year's expenditures for the same point in time.
15 Predominantly there was four areas that contributed to that
16 increased expenditure level this year, childcare funding,
17 about 20 million, adult education and literacy, about 12
18 million, and Workforce Investment Act, 14 million, and
19 finally Trade Act assistance, three and a half million.
20 Everything else was reasonably close to expenditure levels
21 in the prior years.

22 On that first page of the graph, at the very
23 bottom on the left-hand graph, percent expended there,
24 you're seeing a few strategies that were slightly under
25 expended for the year. Predominantly those areas, of

1 course, are labor law inspections, labor -- labor market and
2 career information, sub-recipient monitoring and technical
3 assistance, those areas were primarily lower based on the
4 staff turnover levels and -- and that sort of thing for the
5 most part. And then Trade Act assistance was lower than the
6 budget assumptions. It's -- but -- however, the
7 expenditures are consistent with the number of trainees in
8 the program. So all in all it looked like we concluded the
9 year pretty much where we would have expected to be.

10 One other note I'll make on the -- on the status
11 for budget, the stacking levels, the FTD levels, we'll have
12 equivalents, we for the last three months we were 2,785 FTDs
13 under our cap, of course. I would leave to the -- there's
14 an explanation of variance in here, as I had already
15 mentioned briefly, most of that is primarily related to the
16 staff turnover and then the trade, again consistent with the
17 expenditure levels.

18 And so -- so the last point under this tab that I
19 wanted to bring your -- to your attention I - I've been
20 providing trend balances for our Fund 0165. This is our
21 penalties and interest where we collect -- in our
22 unemployment compensation special administration fund, it's
23 a positive increase to the balance from -- of what we were
24 expecting to see at this point in time for -- as -- as of
25 the end of the year. The balance is at 19.1 million. We

1 thought that balance would be closer to 15 million when we
2 looked at this a year ago. For the most part that is a --
3 that increase is attributed to higher than expected
4 collections as it relates to penalties and interest from
5 employers. We're still trying to explore that a little bit
6 more deeply to understand a little bit better what that
7 might be. It might be caused -- the cause of that -- it's
8 good for the trust fund balance, but it does mean employers
9 are paying more in the way of penalties and interest. We
10 don't yet have a full explanation of what that might be
11 caused by.

12 Commissioners, that concludes my remarks for this
13 morning. Do you have any questions or comments?

14 COMM. HUGHS: No.

15 CHAIRMAN ALCANTAR: Okay, thank you.

16 MR. TEMPLE: All right. David.

17 MR. JOHNSON: Greetings, Mr. Chairman,
18 Commissioners, David Johnson, with Operational Insight. And
19 I'd like to walk you through some of our observations from
20 end of year fiscal year '15 performance observations.

21 In Tab III of the High Profile Measures, about 60
22 percent of the LBB measures are being met or exceeded. DOL
23 measures are 91 percent meeting or better. And the
24 Workforce Commission measures are at a hundred percent
25 meeting or exceeding target.

1 Under Tab IV, Board Performance remains strong
2 with Boards meeting 238 out of a possible 251 instances,
3 which is just about 95 percent performance. On September
4 1st the Commission voted to discontinue the number of
5 employer job openings filled as a contracted measure as
6 staff had determined that the measure is no measure -- no
7 longer truly reflected Boards' performance. Most of the
8 other contracted measures will become final with the
9 September MPR. While two Boards are missing their claimant
10 reemployment within 10 weeks measure, all Boards will be
11 meeting for the end of the year.

12 Likewise, the two Boards missing the number of
13 employers receiving Workforce assistance measure, all Boards
14 will be meeting for the end of the year. Although the
15 August MPR shows four Boards missing choices for work rate,
16 at least two of these Boards will meet their target for the
17 end of the year. So assuming that childcare performance
18 doesn't slip, we anticipoint -- anticipate that the Boards
19 will finish the year meeting performance in at least 244 out
20 of the 251 possible instances, which is about 97 percent
21 performance for the -- for the measures.

22 CHAIRMAN ALCANTAR: That's good.

23 MR. JOHNSON: Yeah. In terms of Workforce
24 development, the system is meeting four customer served and
25 two average costs per customer served measures. The

1 employer served performance has been dropping due to the
2 increase in recruitment options available to employers.
3 However, this slide was reversed in '15 -- in state fiscal
4 year '15 with an increase of six percent. While still below
5 target the increase was larger than the increase in
6 performance that the target expected in -- in '14.

7 For the total job seekers served and -- and
8 Wagner-Peyser customers served, they're both roughly 80
9 percent of target. The targets were set in August of 2012
10 and staff expected a slower economic recovery. While we're
11 certainly pleased to be wrong about that, it does mean that
12 the targets were set at a higher threshold. Also, it's
13 important to note that there's been no increase in voluntary
14 job seekers but a decrease in the mandatory TANF recipients
15 -- adjust -- excuse me, mandatory TANF job seekers. All of
16 these factors serve to lower the performance for that
17 measure.

18 The choices customers served target was set based
19 on the HHSC TANF caseload projection that turned out to be
20 much higher than the actual caseload. In addition, more
21 than half of the TANF caseload is now exempt from
22 participation under state or federal standards. Those who
23 are mandatory under federal standards but who are exempted
24 under state standards are particularly different --
25 difficult to engage.

1 For adult education and literacy performance,
2 state fif -- state fiscal year '15 was the first year for
3 the new grantees and their transition may have contributed
4 to missing the customers served and percent of students
5 completing level enrollment -- level enrolled, excuse me,
6 measures. The other two missed measures mostly involved
7 services provided under the former contracts by the original
8 grantees.

9 CHAIRMAN ALCANTAR: Larry, Reagan, one of the
10 things that I've asked Anson and the team to examine is what
11 can we do to support more open enrollment throughout the
12 year and to come up with different options. I know that
13 this involves some work with Adam in terms of the poor --
14 the other performance measures, but I think it's important
15 that we assist our providers in different regions as much as
16 possible in helping them meet some of these targets.
17 Notwithstanding some of the thinking at the federal level in
18 terms of what the objectives are on the part of individual
19 grantees, so.

20 MR. TEMPLE: And we're looking specifically at
21 those late in the year enrollments where there's a
22 disincentive for the providers as it relates to the federal
23 performance. And we're looking at how we can put something
24 in that regardless of what happens at the federal level, we
25 still want to see that enrollment at the local level.

1 CHAIRMAN ALCANTAR: I heard -- Commissioners, I've
2 heard from a couple of Boards about how it would be helpful
3 if we help them examine different ways in which they could
4 encourage more of these open enrollments, because they get
5 people excited in the program, get them interested in the
6 program, and the class is available, so they kind of lose a
7 lot of those individuals. And -- and I think when you make
8 the effort to engage, we need to support that a little bit -
9 - be a little bit more flexible about that.

10 And we're trying to -- want to do that in a way
11 that still supports quality outcomes and do it in a way that
12 generates the ultimate outcome that we're seeking for these
13 program participants. But as staff examines that I'm sure
14 they will be briefing us on those options. All right,
15 David, thank you.

16 MR. JOHNSON: Sure. The most significant impact
17 on the diploma/GED achievement performance was the change to
18 the new GED. And as I'm sure you're all aware, passage
19 rates have been much lower nationwide. And so that has
20 affected the performance in that measure.

21 For claimant reemployment within 10 weeks, it
22 remains strong at 55 and a half percent. Oil and glass --
23 gas claims, while still higher than last year are on the
24 decline. Also for the first time since we began running the
25 report, we see that all Boards' average wage replacement

1 rate is higher for those claimants reemployed within 10
2 weeks. These charts can be found on the last pages of the
3 tab, Tab III.

4 Employment outcomes are strong. We're meeting or
5 exceeding all entered employment and employment retention
6 and average earning measures with the exception of the SE --
7 SEP average earnings measure. The choices participation
8 through employment continues to improve even though exempt
9 cases constitute most of the case mix, and that percentage
10 is increasing as you can see on the graph on page three of
11 the performance observations. The participation through
12 employment rate is increasing but the increasing percent of
13 the case mix that are exempt line is even steeper. As this
14 line continues to increase we expect performance to become
15 more difficult as I said earlier it's harder to serve folks
16 that are exempt.

17 For unemployment insurance it's meeting four
18 measures of its six -- of -- four of its six LBB measures.
19 The number of initial UI claims is running a little over
20 target and this has naturally impacted the average wait time
21 on hold for UI customers. Overall claims have increased
22 more than anticipated especially with the oil and gas
23 layoffs. UI is handling the higher workload by filling
24 previously vacant federally funded positions.

25 RID is missing one of its four LBB measures. The

1 number of payday law decisions has been affected by staffing
2 issues, but the group is now recently fully staffed. A
3 decrease in claims has helped to offset an increase to the
4 backlog. Achieving full staffing levels and a current RPI
5 project are expected to help improve performance moving
6 forward.

7 And then, finally, for the civil rights division,
8 CRD is meeting or exceeding all of its six LBB measures.
9 This is the first time since TWC took over the civil rights
10 division in state fiscal year 2004 that it's met all
11 measures.

12 COMM. HUGHS: We certainly want to commend them
13 for that.

14 CHAIRMAN ALCANTAR: Thumbs up.

15 MR. TEMPLE: Commissioners, just to kind of
16 illustrate -- just going back to the exempt versus
17 mandatory, this is by Board area, and 50 percent is that
18 federal measure, and the Board measure, but -- and Reagan
19 tells me that Golden Crescent last month was 16 percent.

20 MS. MILLER: Last month they had 16 percent
21 mandatories; they're up to 22 percent mandatories.

22 MR. TEMPLE: So it's pretty much statewide now,
23 this --

24 CHAIRMAN ALCANTAR: Great. Thank you, Larry.
25 Commissioners, any questions? Really good job, David, thank

1 you.

2 MR. JOHNSON: Thank you.

3 CHAIRMAN ALCANTAR: Who's next?

4 UNIDENTIFIED SPEAKER: So I'm here to -- to answer
5 any questions that you might have about any of the programs.
6 And if you don't have any, I would just offer that we are
7 taking up a close look at AEL and some of the challenges
8 that we're facing there. As you mentioned, the -- this --
9 this need for policies that support year-around enrollment
10 are really important. We've also been looking at the
11 educational functioning level gains, and how people progress
12 and show improvement to the next level. We didn't do well
13 this last year. But interestingly when we pulled out a
14 subset of folks who received the baseline test and received
15 the post-test, so those who stayed in the program and were
16 post-tested, we actually exceeded all of the targets. What
17 that's telling us is we have people enrolled in the program
18 that aren't in enough hours and aren't getting post-tested,
19 so we have potentially some drop out issues that are
20 happening that we want to look at. And at the next IT Work
21 Session, we'll talk a little bit about a system that we're
22 hoping that can help with some of those challenges that
23 we're seeing as well.

24 COMM. CONGLETON: You mean the dropouts are
25 dropping out?

1 UNIDENTIFIED SPEAKER: Again.

2 COMM. CONGLETON: Okay.

3 UNIDENTIFIED SPEAKER: Yes.

4 CHAIRMAN ALCANTAR: Well, and one other thing I
5 wanted to share with you, Commissioners, is I have also
6 asked Pat to examine ways that we can enhance our
7 partnership with volunteer organizations. And they are
8 working to come up with different options for us; correct?

9 MS. MILLER: Yes, we are.

10 CHAIRMAN ALCANTAR: Thank you. Larry, what else
11 do we have on performance, you ready for IT, or --

12 MR. TEMPLE: Yeah, I think we're ready for IT.

13 CHAIRMAN ALCANTAR: All right. Great, thank you.
14 Really good job, I appreciate your ethics this morning.

15 (Proceedings concluded at 10:54 a.m.)

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C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF TRAVIS)

I, Kimberly C. McCright, Certified Vendor and Notary in and for the State of Texas, do hereby certify that the above-mentioned matter occurred as hereinbefore set out.

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

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 28th day of October, 2015.

/s/ Kimberly C. McCright
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Certified Vendor and Notary Public

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