TWC QUARTERLY WORK SESSION TRANSCRIPTION

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0:17 Chairman Daniel: Alright. Let's get this kicked off. I'm ready.

0:22 Mariana Vega: Good morning Chair, commissioners, just for the record, my name is Mariana Vega. I'm with the Labor Market and Career information department and I will be giving an economic overview for the state of Texas. So, you do have a packet in front of you. It's also on the screen so everybody can see it. The first charts, if we can move to the first charts. It does depict annual growth for both the U.S and Texas. Total non-agg employment in Texas showed positive monthly growth for the 26th consecutive month with 7,600 jobs added in September. Private sector, the private sector added 8,700 jobs while government employment did fall 1,100 jobs. Over the year, Texas has added 300,000 jobs, marking 113 consecutive months of annual growth. Texas has grown at a faster rate than the U.S. since March 2017 and this is for 31 consecutive months. If we go to the next slide, we can see employment breakout by industry sector. 5 of the 11 major industries expanded over the month with the strongest over the month growth in construction and professional and business services. 10 of the 11 major industries did achieve positive annual growth. The private sector annual growth was strong at 2.7% in September and has been at or above 2.5% since June 2018. For the third consecutive month, construction led all major industries in percentage terms over the year. This month, over the year it was at 7% adding 52,000 jobs. It has grown annually for 99 consecutive months. Professional and business services did lead all major industries over the month of September adding 9,600 jobs. Education and health services employment did grow for the seventh consecutive month and added 1,800 jobs in September. Over the year, the industry has added 48,800 jobs, largely driven by healthcare and social assistance. Leisure and hospitality did contract over the month by 2,200 jobs. This was following nine months of positive growth. Accommodation and food services did fall by 3,800 jobs. And arts, entertainment and recreation offsets some of this loss by gaining 1,600 jobs. So, if we move over to the next page. Yes.

2:47 Commissioner Demerson: Trade, transportation and utilities, loss of 7,400 jobs…inaudible…

2:53 Mariana Vega: I'm sorry. Well it was across wholesale trade, retail trade and transportation. It went all the way across. It did slow down the growth for September for the State of Texas, but we've seen this before. It's happened in prior Septembers and we've always come back strong in October.

3:14 Commissioner Alvarez: Why the decrease in information?

3:17 Mariana Vega: Information is an industry that has been decreasing. It does encompass newspapers, books, publishing, which is an industry that's in the decline overall just because we're headed, everything is more electronic now.

3:29 Chairman Daniel: Are those jobs actually declining? Or are they shifting to the IT sector?

3:32 Mariana Vega: I would say they're shifting.

3:37 So, on the next page, the chart depicts employment momentum for industries in Texas. So, we are comparing annual growth rate versus the industry three-month annualized growth rate. We can see 10 of the major, of the 11 major industries did experience growth over the year. However, annualized growth over the quarter indicates that three of those industries are slipping. That's trade, transportation and utilities, other services, and mining and logging. Construction does stand out with an over the year growth of 7% and shows strong momentum over the quarter. Again, as I had mentioned, the industry did gain 52,000 jobs over the year. So, anything in quadrant four indicates recent job loss quarterly in industries and quadrant three indicates job loss both quarterly and over the year so that's why information is in that quadrant three. All other industries do show growth and forward momentum. The next slide, we're looking at employment momentum for the largest ten states. So, we're looking at employment annual growth versus a three-month annualized growth rate again. It's similar to the last chart. So, we do show Texas Employment growth still continues strong among the ten states. Texas ranks second in total non-farm growth over the year with 300 thousand jobs added over the year in its second and annual growth rate 2.4%. In the next chart, we see the Texas Metropolitan Areas, the MSAs. And again, we're looking at annual growth rate versus actual change in employment. So, absolute employment change over the year. Non-farm employment did grow over the year in 23 of the 26 metropolitan areas. We see really strong growth in Dallas, Plano, Irving and Houston, the Woodlands, Sugarland, they were among the top three adding employment for the year and they also showed a very high annual growth rate. Longview, Victoria and Wichita Falls did show employment losses over the year. So, the next two pages, we're gonna see because we can't fit all of the MSAs in one page. We're gonna see total non-farm employment for each of the MSAs as well as their respective

unemployment rate. Employment did increase in 12 of the 26 metro areas over the month of September for a total increase of 15,300 jobs. Again, the Dallas/Fort Worth/Arlington MSA did post the highest annual growth rate among the metro areas at 3.3%, which accounted for 121,100 jobs. This area also added 6,700 jobs, over the month, the most of any other metro area. In percentage terms though, Beaumont/Port Arthur MSA lead with an over the month increase of .7%. The McAllen, Edinburg, Mission and San Antonio/New Braunfels MSAs had the second highest annual growth rate at 2.7%. The San Antonio/New Braunfels MSA did achieve its highest annual growth rate since July 2017. It has added 28,400 jobs since last September. We did see 23 metro areas with positive annual growth for September 2019. As far as unemployment rate goes over the month, all metro areas did experience a decrease in their unemployment rates. Over the year, 23 metro areas saw a decrease in their unemployment. Odessa actually experienced a slight increase. Midland showed no change. The Texarkana MSA has experienced the largest, the largest over the year employment drop as far as their unemployment dropping 1.1 percent, percentage points. The next chart we're gonna see Texas and U.S. charted, the unemployment rates. The unemployment rate has held steady for the fourth consecutive month. We are at 3.4% which matches an all-time record low which we set back in June 2019. It has been, it is the lowest unemployment rate we've had since the series tracking began in 1976. We did include something different this time. We're including unemployment among the demographic groups that are shown: education, race and gender. It's been low among all of these demographic groups whether you look at it by education, race or gender. The unemployment rate has decreased for each of the groups over the last two years. So just quickly going over what happened to the Texas unemployment rates, the Texas, and this is actual rates, the Texas not seasonally adjusted unemployment rate did decrease to 3.3% in September, this was 4/10 of a percentage point lower than the unemployment rate last September. In September 2019, unemployment rates did vary across counties. We had a low of 1.7% in Heartland county to a high of 9.8% in Star county. And so, we did have 111, 111 counties with an unemployment rate of 3% or less over the year. Civilian labor force did increase in 172 counties. The next chart, we're looking at employment versus unemployment. So, we did have 471,100 unemployed people in Texas, but we did also have a new high civilian labor force of 14,055,700. So, if we just look at those components that make up the unemployment rate, the labor force did grow 1.2% over the year. Those employed grew 1.6% over the year and the unemployed deceased 8.3% over the year. If we look at the labor force participation rate, it has held steady at 63.7% from July to

September. It has fluctuated a bit between 63.6% and 64%. The Texas labor force was the second largest in the nation behind California. Looking at Texas Unemployment Insurance claims in September, both initial and continued claims did decrease from the previous month. The lowest point for continued claims, which is the dark blue line within the last ten years was in November 2018 when the four-week rolling average was 102,133 continued claims. And of course, that spike we see there is Harvey, Hurricane Harvey. Looking at other indicators, average hourly earnings are up over the year for both Texas and the U.S. The Texas average hourly wage was $26.42 in September. The U.S. average hourly wage was $28.24. Over the last twelve months, the CPI was up 2.2% over the year and it's mainly due to increases in all items, less energy. There was a slight increase in food items but really the leading factors that lead to those increases in CPI were housing, medical care and recreation costs, increases in those areas. The energy index did fall 4.5% over the year and that's mainly due to gasoline prices as well as natural gas service prices. So, the next chart we can see how the CPI has increased over the year for the U.S., Dallas, and Houston. For the U.S., it has increased 4.3%, points over the year. Dallas increased 5.3 points over the year and Houston, which was posted in August because we do rotate between Houston and Dallas, increased 3.1 points over the year. Average hourly earnings, we're just gonna take a look at, closer look at those for private employees. They did continue to increase in both Texas and the U.S. They have increased over the month and over the year. I did, we did chart the construction payroll because, payroll expansion does continue, we do continue to see that in the construction industry. Of all measurable industries, construction increased the fastest over the last ten years at 43% or $8.50 more an hour. Taking a look at Texas housing and construction employment and this is comparing not seasonally adjusted construction employment with new housing permits and existing home sales. So, as I mentioned before the construction industry did add 52,000 positions over the year, 7% annual growth rate. Housing permits and home sales were down over the month, but they continue to be up over the year so we're still doing very strongly in that aspect. September housing permits were up 23.1% over the year and home sales were up 8.6% over the year. Taking a look at West Texas intermediate oil prices and rig counts, the number of active rig counts have continued to decrease, and we've seen this happen since December 2018. It decreased 4.9% just in the last month. We're down to 427 rigs. The price per barrel did increase $2.14 to $56.95 a barrel. There was some volatility in oil prices in September. There was an attack in Saudi Arabia on their infrastructure. That kind of shook things up a little bit. People were concerned about supply, supply disruptions. They are now back in full

production. Over the year, there has been an 18.9% decrease when the swap price was $70.23 a barrel. Just to quickly go over some last few highlights, that I already mentioned, over the month, professional and business services did lead monthly growth. The average weekly wage in that industry for 1st quarter 2019 was $1,557. Texas did add the most private sector jobs over the year. And over the last 5 years, Texas has added over a million jobs and the U.S. has added over 12 million jobs. And That does conclude my presentation. If you have any questions, I'll be more than happy to answer them as well as share any notes that I have with you afterwards.

14:09 Chairman Daniel: Thank you.

14:11 Mariana Vega: Thank you.

14:12: Commissioner Demerson: I have one question. On page 5.
Mariana Vega: Sure. Page 5.
Commissioner Demerson: Page 5, where you list Florida, that's number one. Where Texas is number two. Anything they're doing different in Florida? Anything you're noticing?
Mariana Vega: Not that I know of right off the top of my head. We can go back and look deeper into the weeds as far as their actual industry growth and what is growing there right now.
Commissioner Demerson: In the past, have we traditionally occupied the number one spot and we always….
Mariana Vega: We have. We have kind of been up in the top four in the last year. But we fluctuate. We're not always number one. Over the year, I think we're mostly number one.
Commissioner Demerson: I'm curious to see what they're doing.
Chairman Daniel: Year after year. We have for the last three or four years, we have maintained a number one position. If you just look at it year over year, could look at the month to month. We fluctuate greatly in the top five. We'll bounce around quite a bit. Some of it's based, you know, on our economy, commodity based, and we'll see movement because of that and September's a challenge because there's a lot of summer employment ends, and it sort of reshuffles the labor market. So, there are things that are happening. That looks really normal, curve wise.

15:30 Mariana Vega: Yes. Thank you.

15:32 Commissioner Alvarez: Great report. Good data.

15:33 Mariana Vega: Thank you.

15:42 Chris Nelson: Good morning Chairman, Commissioners, Mr. Serna. For the record, my name is Chris Nelson, Chief Financial Officer. This morning I'll be briefing you on the monthly legislative report for the 4th quarter of 2019 that you have in your notebook. The report identifies by strategy, and I'll give you a second if you need to open up to, I believe it's tab 3. Tab 2. Tab 2. The report identifies by appropriation year and fiscal budget year 2019 budgeted amounts and expended amounts. The difference between the appropriation budget and the fiscal year budget is the appropriation budget is what is actually in our appropriation. The fiscal year is what we actually expect to spend. The one difference that you see is in strategy 312. The second to the last row on the page. So, we brought in some carry-forward balance on our indirect, but the four main reflects what we truly expected to spend in budget year, fiscal year 2019. The next couple of pages reflect the variances of budget versus expended and an explanation where that variance exceeds five percent. And in most of the variances you can kind of group into a couple of categories. One of them is strategies that are driven by grants where the timing of the expenditures don't necessarily time out with the fiscal year and those would include strategies such as WIOA, SNAP, Apprenticeship, and the Adult Ed Strategies, which are a delay in the timing of expenses. Some of the smaller strategies have lower FTEs and subsequent operating costs that drive those variances so there were slightly below the target on the budget. And those strategies include labor law, career schools and civil rights. And typically, when you have divisions, programs, with lower FTE counts, it only takes a few vacancies to kind of shift that variance below the 5% threshold. A couple of other strategies I'll bring to your attention, one is strategy 131, it's the skills development if you look at it. It's reported as 102% of expended but that doesn't necessarily mean we overspent the budget. That's jut fiscal year, because expenses are on a fiscal year basis these are expenses that were basically budgeted in 2018 but just expended out in 2019. Another strategy that I'll bring to your attention is 121, vocational rehab strategy. It's continued to lower expenses in 2019 as what we saw in 2018. In August, I believe Cheryl Fuller has briefed your offices on a plan going forward of how to deal with that. Mostly, it comes from fewer individuals applying for services, higher turnover among VR counselors, in which, in turn leads to reduced expenses. So, she's been implementing this program starting here in 2020 and she's working with field and regional staff to implement this. We'll continue to monitor as we go throughout 2020. So, those are the only comments I have. If you have any additional questions, I'd be happy to answer them.

19:07 Commissioner Alvarez: No questions.

19:09 Commissioner Demerson: Thanks Chris.

19:15 Adam Leonard: So good morning Commissioners. I'll be going through performance material related to the fiscal year we just ended. This document will look a little bit different than some of the ones we've gotten in the past. We tried to streamline the handout we have in front of you where I'm trying to tighten up what we go through. We can certainly go into any questions you have on anything as we go through. I just wanna talk about the overview first. If you look here it says that there were 11 LBB measures that we failed to meet which puts us at 79%. But the interesting thing about that 11 is that two of the them are related to child care rate increases we took in summer of '18 and that was not accounted for in our original LAR that set the targets for that year. So, in other words, yeah, average costs were high but of course that was in response to a deliberate decision by the agency to try and promote more TRS by pushing those rates up and you know, it's had an impact. So, two of the 11, if you will were kind of, let's call them semi-deliberate. 7 of the 11 actually are kind of tied to factors that are generally outside of our control and I'll go through those as we go but an example of that is the job market has gotten so really good that we don't have as many unemployed people coming in through the doors as we used to so like the total number of participants that we're serving goes down. You can really see this on the chart on page 1 at the bottom. We've got the number of career and training customers served per year against the unemployment rate and you know, especially in the last five years those numbers you know have been lost out. So, on the DOL line I need to let you know that there was a mistake we cover, we found afterwards. There were actually four missed measures here. Three of them relate to the SESEP program and one relates to a WIOA dislocated worker measure. So, we're gonna have to kind of look and better understand what's going on with the SESEP stuff since it's there were three of the four that we had there. We understand what happened in the fourth one. So, if we look in the next section, we start to think about on page 1 participants I've already mentioned why we're at 70% target or basically there. Our adult and dislocated worker numbers are also down kind of similarly in the sense that with the market pretty hot and employers really you know being a little more open to the skills that the people that are coming to the table have, you have fewer people who might, fewer numbers of people who might need additional level of services. Whether support or training services that the adult dislocated worker program can provide. They come in thinking that,

you know, that they need lighter assistance and staff and field kind of agree with them. They don't need necessarily as much of the intense assistance that might occur in this other program. This seems to be economically related too. And then TANF and NCP choices, and the TANF aspect, TANF choices is basically a reduced caseload. So we have fewer people on TANF, even fewer people than we thought we had on TANF when we did the LAR so in other words we base our projections off what HHSC says their caseload is gonna be, they've been projecting a flat caseload, the actual caseload is closer to 20% below what they projected it to be so not surprisingly our numbers are down as well. On page 2, we have average cost and here the TANF/NCP choices one is partially related to what I was just describing in that there are fewer served there. What's also involved is that we have a higher percentage of people who are under the state mandatory list but who are exempt from participation. Sorry, the other way around. They are federally mandatory, state exempt. So that kind of creates more complicated caseloads. Adult dislocated worker costs being higher is actually kind of interesting in a positive way which is that we are seeing a higher percentage of people getting training. And the cost of training unfortunately is going up so that has a tendency to kind of push that number up and why we're up over target on average costs. Our customized training for businesses skills and self all those measures came in meeting or exceeding expectations. I mentioned, no, I'm sorry I haven't mentioned Choices participation through employment here these numbers are down and again some of this has to do with, I think the economy in the sense that the measures focusing on people who are subject to participating in the program but generally speaking when they get jobs quickly, they don't stay in the program that long which means that the percent of people in the denominator who are new and therefore not likely not meeting those standards in a month is lower, if that makes any sense. So, these numbers I guess, we'd certainly like to see them a little higher, but they are not terribly surprising just given what we've seen in the caseloads and the churn within that population. Looking at our employers and claimant measures, we've met or exceeded on all three of those. And then we start to get into our WIOA based outcome measures that begins on page 3 so we have a measure. These are a set of federal measures for employed in quarter 2 post exit and we met all but one of those. I'm sorry for the..that the…we met all but one that the state directly operates with boards so we missed dislocated worker and there was an issue with one board area that I'll choose not to throw under the bus right now but basically they made it shift in strategy there recently that you know pushed a lot more people into their denominator for shorter periods of time and we're still trying to figure out what's happening there but it's very clear with the

number when you exclude that board's performance hit the target. So, we know exactly where it is, we jut have to engage and understand what might've happened there. There are certain strategy and whether it makes sense or not. SESEP was the other one that I mentioned, and you'll see under the next three sets of DOL measures, SEP missed all three of the outcomes. But for median earnings in general, we are otherwise, for the other programs, adult dislocated worker, Wagner-Peyser, employment services and ES Vets all above mark there. Employed quarter four post exit met the first four of those which are the ones that the boards have a role in directly and then SESEP I've mentioned, although this one at least came in a little bit closer at 94.5% and 95% would be considered meeting. Now, I should say that that percent of target expectations there is really kind of ours, DOL tends to look at 90% but on this we have historically for SESEP looked at 95% so maybe something we kind of want to consider whether it should be, have the same variance, allowable variance that the other DOL programs have. For the purposes of this report, if we did make that shift then two of the SESEP quarter two and quarter four would meet but earnings would still be low. For our credential measure, we missed, the only one we missed is in VR but the reality is is that this is more of a technical miss than a failure to achieve in the sense that the rehab works system is only recently modified to allow us to capture the information we need to properly calculate this measure. And so there just wasn't a lot of time for staff in the field to go back and be entering data and things so we expect this is going to improve significantly over the next year. As they get more used to entering data although there is a lag in the reporting so if year two from now so in other words, this year may be somewhat better but the next year should be a lot better. Then we have our state based WIOA measures, so we have focus again on employment and quarter two but here we're looking at either employment or enrollment in education so that comes in for all our career and training programs came in at a plus p but the other three youth specifically adult ed, VR, are meeting. Our retention-based measure which is employed in quarter two are meeting or exceeding their everything. And our federal youth quarter four measure is meeting. And then our Business Enterprises of Texas here on the bottom of page four, we've got one measure that is below. And it's basically running three businesses below so we can close that gap instead of three more businesses there that would be meeting standard. On page five we get into some of the other divisions now, so the unemployment insurance division, met or exceeded expectations on all of theirs as did regulatory integrity as did civil rights division. Good stories there for all of them. Let's kind of focus on…and then the last thing on the back page is looking at four performance and here we haven't really

reached year end because the boards run on a slightly different period than the state fiscal year for a lot of measures. But generally speaking, things are looking fairly good there. We had eight boards that met or exceeded on everything. Another 11 that met all but one so right there you're looking at 19 of the 28 that missed one or fewer measures. And that's three better than last year. So, seeing improvement over the year. The one measure where we have the greatest issue has to do with childcare and the ramp up as you know that during this year, we've been trying to have them ramp up their employment, sorry their enrollment. They gave us some line, they gave us kind of a plan that we work with them on and we've been measuring them on that against their plan and there are a number of the fourteen missing that just didn't come in, they came in too low. We had four of those that were close but not quite there yet so they may still close the year out okay. And then lastly, there were two that were what we call unsustainably overruled. Like they shot way past the target and the money doesn't look affordable for them, so we consider that to be a minus p status also. Even though I know that we generally want to have, be promoting more kids in care and we're working on some things for that for you all to look at and which we will be briefing you on, but for the purposes of your 19 and the money that was available and the cost, two of them went too far. So, I'm happy to answer any questions you might have about the performance for the year. And then otherwise, I believe we're done with this section.

30:54 Commissioner Alvarez: Great report Adam. It was really good data so thank you for that. Good job by the directors as well.

31:00 Adam Leonard: The division has really brought it home.

31:02 Commissioner Alvarez: Yep. Great job.

31:07 Chairman Daniel: Thank you.

31:52 Heather Hall: Good morning Chairman Daniel, Commissioner Alvarez, Commissioner Demerson, Mr. Serna, for the record I'm Heather Hall, IT Division director. I'm pleased to be here this morning along with my program colleagues to provide you with updates on the agency's IT projects and other enhancements. The reports for this quarter show the agency's project status through October 31st and budget status through September 30th. If you'll turn to the table of contents, you will see that we've made tremendous progress since the last time we met. We've completed three very large projects that were several years in the making. Those projects

include the Work in Texas replacement, short time compensation and enterprise data warehouse project phase 2. The executive sponsors or representatives for these projects will come up shortly to provide a closeout report for these projects. These projects represent not only a huge step forward in technology and use at TWC, but also much improved features for our internal customers and the citizens of Texas. I thank Courtney, Clay, Adam and their teams for the partnerships on these successful projects. This quarter we've also added three new projects that we're very excited about. The first one is the UI tele-center modernization project, the TWC business insight generator acceleration project and Texas Cruise. If you'll turn to tab one of your notebooks, you'll see status from several Enterprise IT support initiatives. These efforts don't really rise to the level of having their own page in the notebook but they're worth highlighting because they either represent a tremendous forward progress or significant effort from IT staff. So, item number four, is a comptroller refund rules changes for the UI applications. The comptroller's office lowered the threshold amount for using a generic account number to issue a refund from a $1000 to $500. This change requires a new TIN, Taxpayer Identification Number for each payment over $500. IT modified the processes and programs to lower the threshold from $1000 to $500 for use of the generic TIN. So, going forward, those refunds of $500 or over will now require a specific payee TIN. This change required a very quick turnaround time for TWC because we became aware of the change in late August and implemented it by the mandated date of September 30. Item number six is the direct deposit block list for UI. We're reducing the number of improper payments by eliminating the use of green dot prepaid debit cards other than TWC's approved US Bank prepaid debit card. This change also protects claimants from potentially paying fees with other debit cards that they would not have to pay using the TWC US bank card. Item number seven, the employer benefits services homepage message. We implemented some changes in EBS that will allow TWC to improve communications with employers. Especially when we need to make them aware of new features or information quickly. This will provide us the ability to display a message to both claimants and employers that our systems will be down for maintenance, holidays or any other message we may need to get to them. Item number eight is a communications self-service portal. We worked with the communications team to implement a self-service portal in ServiceNow for internal use. For six catalog items staff within TWC need to have work performed by the communications team. On the next page, number nine The National Suspicious Actor Repository, the Suspicious Actor Repository is administered by NASWAs UI integrity center under their integrity data hub project. The purpose of this are to collect

suspicious information or identity theft from participating states into a master file for use by all states. And the ability to share these attributes across states has allowed Texas who participated in a pilot as part of this effort to identify suspicious actors from other states. And so, all the TWC has robust data analytics cross-match process already in place to identify high-risk Unemployment Insurance claims. The SAR complements TWCs efforts by adding other SAR data from other states. From November 17 to date, we have identified and prevented 3.7 million dollars in improper payments by using the SAR. And on the next page, under the key initiatives in progress, item number one is digitizing the vocational rehabilitation closed consumer case files. IT is scanning the VR case files to reduce the handling of physical storage of inactive VR paper records. Scanning and storing of these documents electronically will preserve the records as well as make them available for the VR team and free up space in the field offices. We're currently working on FY 17 and there's about 1,060 boxes of closed case files. We're currently working on those and estimate that we're 82% done and, on this effort, just for FY 17, since March of 2019, we've prepped and scanned 874 boxes, totaling over 2.2 million pages. We anticipate completing the FY 17 boxes in November of this year and we'll start on the 18 boxes that are already arriving. Item number two is the childcare automated attendance RFO. We're doing several procurements right now. CCA is one of them. So, IT is supporting the workforce division with a re-procurement of the CCAA contract which is expiring in February of 2020. CCAA provides tracking independent verification that a child attended declared providers facility. Responses to the RFO were received in September and we plan to award in November. Item number eight is the enterprise printer re-procurement and we are finalizing or actually we finished the RFO on that one and it is actually open right now so it's an open procurement. We're looking to replace our, yeah replace the support of 500 multi-function printers and then toner for 500 desktop printers. That new contract will improve service level agreements as well and we anticipate being able to implement WI-FI printing, which will give more flexibility to printing around various places in the building. And then also we look for some accessibility enhancements in the new printers. The RFOs were released in September of 2019 and we plan to award that contract in March of 2020.

38:22 Commissioner Alvarez: Heather, I have a question.

38:24 Heather Hall: Yes sir.

38: 24 Commissioner Alvarez: So, I'm just curious, and this might be better addressed to Ed or Lowell, what do we do with the printers that we are no longer using? Are they salvaged or are they, do we auction them?

36:37 Unknown: The Xerox printers are actually returned back to Xerox. They're leased.

38:40 Commissioner Alvarez: They're leased. Okay.

38:41 Unknown: The desktop printers that some people have, those will go to the Texas surplus process.

38:51 Commissioner Alvarez: Thank you.

38:53 Heather Hall: Thank you. Alright, item number nine childcare application request for information. The appropriation for LAR FY 22 and 23, and the need to either update or procure a new childcare system. We plan to release an RFI to see what childcare systems are available in the industry. The provider payment functionality child care case management including referrals and eligibility and reporting functionality. As part of our research we will also survey other states to see what's in use in other states. This process is very similar to what we did with the UI systems replacement project and the workforce case management systems project. Item number ten is the enhancement to the UI state information data exchange systems signs e-response so this is in the requirements phase right now but we are looking to enhance the, enhance our system that will send an e-mail to notify employers when new information on UI sites becomes available and that requires their attention. So just a better way to communicate with our employers. So that concludes my remarks, do you have any questions for me?

Alright. So, IT continues to be committed to keeping our customers personal information as secure as possible and we use a variety of methods, and tools and processes to do that. So, I'll turn it over to Jeff Peden to talk about IT security.

40:09 Jeff Peden: Good morning Chairman Daniel, Commissioner Alvarez, Commissioner Demerson and Mr. Serna. For the record, I'm Jeff Peden, Deputy IT Division Director. It's my pleasure to provide an update to you on the continued efforts underway to improve the TWC cybersecurity program. If you turn to the next page in your notebook, you'll see the section on IT

Cybersecurity. I'd like to highlight a few of those items. Item number one and those that were completed, is a, we actually took the security, to improve the security posture of our overall IT team, we found a cybersecurity training class for operational security training that's intended for staff, not cybersecurity professionals. Those that are interested and want to improve their security skills in their current job. I'd also like to add some more detail on item number three, safe attachments. This one is one that we've already implemented in September and so you may have already experienced this one. It's a new feature in O 365 that we already have available to us. The safe attachment feature enhances security posture against phishing ad malicious threats. When an e-mail is received with an attachment, the safe attachments feature will temporarily replace the attachments with a message notifying you that your attachments are being scanned for threats. This takes about 15-30 seconds. If the message comes back clean, the original attachments will be reattached and If the message does not come back clean, you will receive a message that the attachment is unsafe and that it has been blocked. This whole intent just continues to improve our efforts around phishing and viruses. Under the initiatives in progress, I'd like to highlight item number two, cybersecurity project. This is one of the approved LAR capital projects for TWC. The intent is to procure and implement hardware and software tools that will improve the overall security allowing us to better oversee the agency's information resources and data assets. It is targeted to complete in August of 2021. Another item, item three, security awareness campaign. Quarterly security awareness clinics continue to be held on a variety of security topics. These clinics will be made available online as training videos following the live presentations. We also completed a very successful national cybersecurity awareness month in October. We scheduled events throughout the month and some key speakers from DIR and FBI and concluded the month with a very eventful cybersecurity escape room. Number four, the I'm going cybersecurity program improvements. So, we continue to look for other features in our Office 365 licensing that we already own to better improve our posture. One of those features being tested to deploy is called multi-factor authentication. This adds one more method of authenticating who you are in addition to your username and password. You can receive something like a code in a text and then that allows you to enter your username, your password and then that code and that authenticates the fact that its you. This again is intended to reduce the amount of phishing and virus that we might get from our, from someone external to the agency who is malicious. On the very next page is some charts that I've included. This is just to give you an awareness, a sense of what we're doing proactively on behalf of the agency.

The first chart is on phishing that's been reported. Staff have reported an average of 58 phishing e-mails per month, a total of 173 for the quarter. On average, staff clicked on 17% of the reported phishing e-mails. However, you'll note that August was an extremely high month and that was a month we actually did a proactive phishing campaign against our VR staff and it was one that imitated something that they handle a lot of which is a purchase order that they would receive for the counselors. So, this was something they were kind of susceptible to. What it did though was it allowed us to have some additional training and awareness for those staff in VR. The next chart is the O 365 threats prevented chart. The automated tools we use blocked more than 93,000 phishing e-mails this quarter and 107 e-mails with sensitive data using the data loss prevention controls. And the next chart, the edge blocks, so what this chart reflects is the protection that TWC gets from its firewall in other automated networking tools. You can see that TWC received almost 900 million total internet e-mail transactions over the quarter. Our tools working together blocked more than 7 million malicious URLs, more than 120,000 media sites and more than 65,000 transactions with sensitive data and almost 900 transactions with malware or viruses. That concludes my remarks do you have any questions?

45:09 Chairman Daniel: I do have one. So, the 44 clicks in August on phishing, how many of those are ours? Us phishing for clicks.

45:27 Jeff Peden: Those were all the campaign for IT.

45:29 Chairman Daniel: Everything, everything is ours?

45:30 Jeff Peden: Yes sir.

45:31 Chairman Daniel: Okay so the numbers are fairly consistent with the actual evildoers?

45:36 Jeff Peden: Yes sir. Our response rate typically or the click rate typically is below the average within the industry and even the last, those that have submitted their credentials you can see there was one in July, none of the folks in VR that did click none of them submitted their credentials and only two in September. We have a very low percentage that have gone that far so 1.7% is very low and well below the industry average.

46:04 Commissioner Demerson: Chairman, I was sharing with the team that cybersecurity continues to be something that is very important to us and so

the more we can stay on top of it the better off we are. I represent the employers in the state and it's important that we keep our good work that we're doing and the attention that we're providing for this area.

46:26 Jeff Peden: Yes sir. Thank you.

46:39 Chairman Daniel: Thank you.

46:31 Heather Hall: Thank you Jeff. Next Karen Latta, the WIT replacement project director will provide an update on the WIT replacement project under tab two.

46:57 Karen Latta: That's, now it's on. Again, my name is Karen Latta and I will give you an update on the Work in Texas replacement and I'm very happy to announce that we've successfully launched our new Work in Texas tool on August 18th and we completed the project closeout as of the end of August. And as Heather mentioned it is a new tool that provides a lot more functionality for both job seekers and employers and also our board staff and all of the 28 boards. So, the major work on the system is done. The workforce division and IT continue to work with our vendor to enhance the system, including working on the mobile app which we hope to roll out in the new year. And then we also have as you know this project represents the work that a wide variety of people around the agency is a real enterprise wide project and so we also have our training and development team who have developed a two day basic navigation course for the new Work in Texas and they're offering that now to the workforce boards and to TWC staff and that has a very nice participant guide and workbook that goes along with it. And then we also have a lot of communications and outreach efforts that go along with this project. We've had the traditional media has been going on for several weeks and we, just last week launched the digital media campaign for the new Work in Texas and we've had several successful outreach events in different markets around the state. And we have messaging planned for both the Hiring Red, White and You events tomorrow and then also for the annual conference you'll see a lot of tools that we'll be presenting at the annual conference to show off the new site. And that concludes my report. If you have any questions, please let me know.

48:48 Chairman Daniel: One question. So mobile app, new year. January 2nd, what are we talking about here?

48:53 Karen Latta: I think we're still trying to figure out exactly when we'll be able to launch that. We're hoping in January that we'll be able to launch that and there will be a media campaign that will go along with that as well.

49:02 Chairman Daniel: Alright. Great. Thank you.

49:08 Commission Demerson: Great job. I mean, this is something that we undertook as a team early on and to get it to the level that we're at now, the entire staff is to be commended on the work. Good job for leading that Karen.

49:22 Karen Latta: Just to clarify on the mobile app, that is a tool for job seekers specifically. I think eventually it may be expanded to employers but for when we launch it, it will be specifically for job seekers. Thank you.

49:42 Heather Hall: Thank you Karen. Clay Cole will come up next to provide an update on the three UI projects under tab three.

49:52 Clay Cole: Good morning Chairman, Commissioners, Mr. Serna, for the record Clay Cole, Unemployment Insurance. As Heather indicated I'm here to give you an update on three UI projects. One that is completely new, one that's completed and the one that we're just getting going. The first one, short time compensation, we refer to as Shared Work Program to create an online automated portal that allows employers to interact with us through an automated solution. Before, this was just a paper shuffling program that's fully automated now that we're really excited that we launched in August of this year. Anyway, we've received some really good feedback from the employer community that are using it. It also involves our mass claim program and some other services that we can now provide electronically. So, really successful project, came under budget, we're actually using some of that funding that we still have on some enhancements which we hope to wrap up in November or December of this year. Any questions on that project? If not, UI system replacement, of course this is the big turnkey project that would provide a modifiable off the shelf solution to replace our legacy systems, our benefits, our tax and appeals systems, something that we've been waiting for a long time, really excited about it. Of course, no question, we cannot underestimate this project. It's huge and just really looking forward to getting going. We received four bids October 15th, staff are right now reviewing those bids and we hope to complete that process within this month, early December and then right now we're targeting an award date of March of 2020. Any

questions? Okay, the last project is our UI tele-center modernization effort. This project is new, first time to update you on. It'll replace our legacy IVR technology with a premise based turnkey solution. The procurement is underway. Staff are reviewing the RFO along with General Counsel. We plan to try to release that RFO in February 2020 with a targeted date of July 2020 to award the contract. And this concludes my updates. Any questions?

52:33 Chairman Daniel: No but I have the same pair of glasses.

52: 35 Clay Cole: I'm glad you noticed it...

52:38 Chairman Daniel: That's very frustrating.

52:40 Clay Cole: I did it right before I came up here. I took them off and clearly broke them, but you know, they worked out.

52:50 Chairman Daniel: Ten bucks and you'd think they'd hold up longer.

52:54 Clay Cole: I keep telling myself even though I just turned 50 this week I don't need glasses but clearly, evidently, I do so

53:01 Chairman Daniel: You don't need 'em but it's just an enhancement.

53:07 Clay Cole: Thank y'all.

53:10 Heather Hall: Thank you Clay. Next Courtney Arbour will provide an update on the Workforce Projects under tab four.

53:17 Courtney Arbour: Good morning. Courtney Arbour, Workforce Division Director. Two projects, both legislatively approved and both underway. The first is the Workforce Case Management System Replacement. I think we would agree that by most accounts we are very integrated system in our case management systems, are integrated but we have a number of them and as the legislature has moved to more programs, we find that we have grown siloed over time and all of our systems have aged to different degrees but are aging. We have a number of, there's a lot of maintenance that goes into these older systems, often times we're serving similar clients in each system and so this is a great time to try to integrate those. We have a, we'll be integrating both Rehab, Adult Ed and all of what is currently in TWIST with the exception of childcare. We've got a procurement RFO release date planned for January 2020 and grant award planned for June 2020. We've

been working with Grant Horton who is our IVN vendor to review the RFO with us and provide input to ensure that we buy what we're trying to buy. I'm happy to answer any questions on that one. The second project is the Workforce Education Systems project. You've heard it referred to as Career Schools and Colleges previously. We've renamed that to WES or Workforce Education Systems because it will combine a number of different programs beyond just what we do for Career Schools and Colleges. So, you're aware, we oversee a lot of regulatory functions from different types of training providers in the state. We have a system that tracks the eligible training provider systems or the ETPS system that the boards use for their local training options. The learner outcomes tracking system or LOTS is the system that we as a state, state staff use to track the skills development fund training provided by the community colleges for employers. We also have two systems that are, that are used for the oversight and licensing of career schools and colleges and that's called Career School and Colleges, and the second piece is called PECOS. One is for the regulatory function and the other is for reporting. So, you've got four different systems, again with very similar activity being tracked oftentimes the same school is being tracked in more than one system so the goal there all they all have the commonality of being aging systems. So, this is an in-house project because we aren't aware of any vendor that could provide a solution to track all of those different things and with some of the commonalities, we want to build in. We have project planning that began in September 19. We're well on the way and doing kind of as is. We've worked, we're working with IT to do the as-is business process for all of those defined, where we can find some efficiencies and really work through that as we develop the RFO. I'm sorry, as we put together, this is internal, I do this every time. This is an internal project. As we do the as-is and find the commonalities will work together on the building. What questions can I answer?

56:32 Commissioner Demerson: I think we're good.

56:34 Commissioner Alvarez: Thank you. Thank you, Courtney.

56:35 Courtney Arbour: Thank you.

56:36 Chairman Daniel: I would just say for the, for all listening, your acronym use is strong. The WES and LOTS and PECOS. It's good stuff.

56:46 Courtney Arbour: We could cut that down to fewer acronyms and we'd all be happy.

56:50 Commissioner Demerson: Now we have LOTS. Modify off the shelf, MOTS.

56:59 Heather Hall: Thank you Courtney. Next Adam Leonard will rejoin us, and he'll provide an update on the three operational insight projects under tab five.

57:12 Adam Leonard: Morning again. I'm sorry, good morning again. I'm here to talk to you about three aspects of our data warehouse project. We closed out what we called phase two which was the last biennium. And in phase two what we were really focusing on was kind of building the foundation upon which the system would function. So we were kind of learning the various options and choosing them, getting the hardware the software set up getting, working with DCS to actually make it kind of work and starting to set up some of our initial data sets so we tried to use data sets that didn't currently have strong reporting environments you were doing the work we were trying to do and that were a little bit narrow and deep so that you know, we could kind of cut our teeth on something that was a little more bite-sized. However, with that work now complete we are going to be jumping into a, kind of a real acceleration process, hence the name of our business inside generator proposal that we had sent to WDQI for funding, so this was a federal grant. So, we have our basic phase three funding for enterprise data warehouse that we had already submitted to the legislature and what we did when the WDQI grant opportunity came up was, we explained to DOL that by providing this additional funding, that would allow us to accelerate development of things we were definitely planning on eventually getting to just we didn't have the throughput to be able to do it all as fast as we needed to. And so that is what this is going to allow us to do and I want us to take just a quick minute and show you, we have not launched a lot out of the system yet but we're now at the point where we can start building things for customers to use. So, what's up on the screen right now is something called the Performance Overview Dashboard. It is built in Tableau. It is interactive, it meets all accessibility requirements because trust me, my division is super militant about this question because we know that when Tableau was initially bought, there was a very big concern about, are we gonna be able to meet accessibility and the reality is is you can but you have to take that into account while you're designing your visualizations. So, what this dashboard does is it allows a board to see one at a time, one board at a time, you select a board. On the left it brings up a summary level of information about the number of measures we're meeting or missing and then shows the detail regarding those measures so

you can see for each measure the numerator, the denominator, the rate, the over the year change, whether something's meeting or not meeting. And we really kind of designed this, this is an update of something we used to do as PDFs and we really designed this with more of the executive user in mind. So rather than the types of things that we put in your notebook, for the Commish, what we've been doing which worked really well for the boards with all that little extra detail and board members might, they seem to like something a little more like this. So right now, what you're seeing is purely summary-level data. Alright, so this is essentially the data that we published in your notebook but in a more graphic and interactive fashion. But imagine if you will, the ability to then say I wanna understand more about a measure. Imagine if I wanted to go in and to click into our employed enrolled quarter two post exit instead, I can get down into customer-level data. Can you jump to that? No, sorry, the other dashboard. The other other. Yeah, so on here there's also a way to look at all the boards one measure at a time. But this is pretty cool. This is new. It's not out yet. Its still in development. But imagine you've seen you're missing or you're doing really well on a measure, employed enrolled quarter two post exit and you wanna understand more about it. So, this has data by month, talking about the information on the exiters and there is better included in the denominator, this measure over time. The ability to go in and really understand changes in your case mix. So, if you click on high school dropout, please. On the left school status high school dropout in the ring. Yeah. Go in here and select. Yeah, sorry. This, one of the things on this is that I asked Jennifer to pack as much data into it so we could see where the limits of responsiveness is and obviously, we've reached it on this one. So, we'll be working on ya know, kind of streamlining some of the choices, but basically if you select this, now the data that's up there shifts to focus on just the numbers associated with people who were high school dropouts. Or you can do race, ethnicity, age, disability status, other factors that impact employment, that DOL calls barriers. So, we think that something like this is going to be a very valuable tool for boards and also for TA staff while we kind of try to understand how numbers are changing in performance for boards. Is it something to do with who they're serving that's changed, or is it something to do with something that may be happening on the ground in the field? We just wanted to take a minute and say that, trust me, the good stuff is coming. The investment will pay off.

1:03:00 Commissioner Alvarez: When do you plan to roll that out?

1:03:03 Adam Leonard: This one's gonna take a little bit longer to do because well, quite frankly, you can see how slow it is, but I do think that we're probably looking at a couple of months on that one. This is still based on the old source data we get out of the IT reporting system. The next gen of this will be based on an entirely new set of background data so it will be more accurate and more useful. And that's what I wanted to share this morning so unless you have any questions.

1:03:39 Heather Hall: Thank you Adam. Next, Lowell Keig will provide an update on the PeopleSoft HR upgrade project. And that's under tab six.

1:03:57 Lowell Keig: Morning Commissioners, Lowell Keig, Business Operations director. This is the PeopleSoft HR upgrade. HB 3106 back in the 80th legislative session provided the comptroller with the authority to require a, state agencies to be compatible with the state-wide centralized accounting and payroll personnel system, otherwise known as CAPPS. We will be upgrading the agency's HR PeopleSoft application which we call CHAPS to HRMS 9.2. Some people wonder what CHAPS stands for. I'm ready for that. Comprehensive Human Resources and Payroll System. One thing that the steering committee is discussing is what we wanna call the new upgraded system. We'll be upgrading…Inaudible…Pardon me? We will be implementing the core modules that the Comptroller offers and will be evaluating the noncore modules to determine if we want to go forward with that functionality. THE CAPPS HR payroll core modules include core HR, payroll, position management and time and labor. The noncore functions are recruiting and talent management, learning management and performance management. We just completed the planning and setup phase which included hiring contract staff, identifying stakeholders, and forming the planning team. We also started our fit gap analyses. The next step will be the requirements phase, and the project closeout is slated for April of 2021. Do you have any questions?

1:05:53 Chairman Daniel: Thank you.

1:05:55 Commissioner Alvarez: Thank you Lowell.

1:06:00 Heather Hall: Thank you Lowell. Next, Tom McCarty will provide an update on the Texas Cruise project under tab 7.

1:06:10 Tom McCarty: Good morning Commissioners, Tom MCarty, External Relations. The Texas Cruise project which is also called a consumer resource

for education in workforce product is a re-write that we're doing to basically update it. We want it to be mobile friendly, easier to digest the information that's provided within the application for the general public. We're currently, the current status of this is that we're working with a co-board on it and we're budgeted out for $545,000 on this through the WDQI grant. We are finalizing the statement of work and we'll send that over to the co-board, let them take one last look at it and then we'll run it through our processes here internally with the agency with the plan that we're hopefully able to post it by January. And then we'll go out for bid, and the we'll go out for bid and then get a vendor to come in and then we'll go ahead and do the re-write at that point. That concludes my remarks. Let me know if you have any questions.

1:07:13 Commissioner Alvarez: Not me.

1:07:15 Tom McCarty: Thank you.

1:07:17 Heather Hall: Commissioners, this concludes the updates for IT this quarter. Any questions or comments?

1:07:23 Chairman Daniel: No Questions. Thank you very much.

1:07:25 Heather Hall: Thank you.

1:07:26 Commissioner Alvarez: Thank you Heather. Great report.

1:07:29 Chairman Daniel: That's all. Alright. Well, we're done here. Thank you everyone.