

To: Gulf Coast Workforce Board Members

From: Mike Temple  
Carol Kimmick  
David Baggerly  
Michelle Ramirez

Date: January 25, 2016

Subj: Board Meeting Materials for Tuesday, February 2, 2016

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The next meeting of the Gulf Coast Workforce Board is scheduled for **10:00 a.m., Tuesday, February 2, 2016** in H-GAC's second floor conference rooms A, B and C, 3555 Timmons Lane, Houston.

**Reports.** Chair Guthrie will provide his usual update to members on items of interest, including welcoming new Board members. Audit/Monitoring Committee Chair Joe Garcia will report on the committee's January meeting.

**Action.** Nominating Committee member, Guy Robert Jackson will present recommendations for 2016 Board officers and conduct the election. As you recall, the Board has four officers: the Chair and three Vice Chairs. Budget Committee Chair Willie Alexander will present recommendations for the Board's 2016 budget. We are looking at a proposed budget of \$207 million to serve almost 26,000 employers and 360,000 people. Report Card Committee Chair Richard Shaw will present the latest in the Board's Report Card series for consideration and adoption.

**Information.** David Baggerly will report on our performance to-date, and we will report as usual on the Board's expenditures against its budget.

Ron Borski will brief us on developments in the economy and then Parker Harvey will present data on employment trends in the professional and technical services industry.

We look forward to seeing you on February 2<sup>nd</sup>. As always, please call or email us if you have questions, or if we can be of assistance.

# The Gulf Coast Workforce Board Tentative Agenda

**Tuesday, February 2, 2016 at 10:00 a.m.**

H-GAC Conference Room A/ B/C

3555 Timmons Lane, Second Floor, Houston, Texas 77027

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1. **Call to Order and Determine Quorum**
2. **Adopt Agenda**
3. **Hear Public Comment**
4. **Review December 2015 meeting minutes**
5. **Declare Conflicts of Interest**
6. **Consider Reports**
  - a. *Chair's Report.* The Board Chair will discuss items of interest and introduce new Board members.
  - b. *Audit/Monitoring.* The Committee Chair will present an update from the committee's January 2016 meeting.
7. **Take Action**
  - a. *Nominating.* The Committee Chair will present recommendations for Board 2016 officers for members' consideration.
  - b. *Budget.* The Committee Chair will present a recommendation for the Board's 2016 budget, in total amount not to exceed \$207,780,718.
  - c. *Report Card.* The Committee Chair will present the Board's 2016 Workforce Report Card for adoption and distribution.
8. **Receive Information**
  - a. *System Performance.* Report on current performance.
  - b. *Expenditures.* Report on expenditures.
9. **Look at the Economy**

Report on current economic data and trends in the Houston-Gulf Coast area, including information on the professional and technical services industry.
10. **Take Up Other Business**
11. **Adjourn**



**Workforce Solutions**

Workforce Solutions is an equal opportunity employer/program.

Auxiliary aids and services are available upon request to individuals with disabilities.

Please contact H-GAC at 713.627.3200 at least 48 hours in advance to request accommodations.

Deaf, hard-of-hearing or speech-impaired customers may contact:

Relay Texas 1-800-735-2989 (TTY) or 711 (Voice).

Equal opportunity is the law.

**MINUTES OF  
THE GULF COAST WORKFORCE BOARD  
TUESDAY, DECEMBER 1, 2015**

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**MEMBERS PRESENT:**

Ray Aguilar	Willie Alexander	Karlos Allen
Gerald Andrews	Betty Baitland	Peter Beard
Sara Bouse	Carl Bowles	Joe Garcia
Cheryl Guido	Mark Guthrie	Eduardo Honold
Guy Robert Jackson	Sarah Janes	Tony Jones
David Joost	Birgit Kamps	Paulette King
Jeff Labroski	Ray Laughter	Kendrick McCleskey
Steve Mechler	Linda O'Black	Dale Pillow
Janice Ruley	Allene Schmitt	Richard Shaw
Connie Smith	Gil Staley	Evelyn Timmins
Fred Welch	Shunta Williams	Toy Wood
Madeleine York		

**H-GAC STAFF MEMBERS PRESENT**

Mike Temple  
David Baggerly  
Ron Borski

Mr. Mark Guthrie, Chairman, called the meeting to order at approximately 10:00 a.m., on Tuesday, December 1, 2015, in the 2nd floor, H-GAC Conference Rooms A/B/C, at 3555 Timmons Lane, Houston, Texas. Chair Guthrie determined a quorum was present.

Chair Guthrie reported that Board member Ms. Evelyn Timmins recently lost her husband and Executive Director Mr. Mike Temple recently lost his father-in-law. Chair Guthrie expressed sincere condolences to both Ms. Timmins and Mr. Temple and their families.

Chair Guthrie also announced that Board member Mr. John Hebert had recently had a pacemaker installed and was home resting and doing well.

Chair Guthrie welcomed new Board member Mr. Fred Welch, representing the Greater Conroe Economic Development Council and asked him to introduce himself.

**ADOPTION OF AGENDA**

Chair Guthrie asked for adoption of the agenda as presented. A motion was made and seconded to adopt the agenda. The motion carried and the agenda was adopted as presented.

### **PUBLIC COMMENT**

No one signed up for public comment.

### **MINUTES FROM OCTOBER 6, 2015 MEETING**

Chair Guthrie asked if there were any additions or corrections to minutes for the October 6, 2015 Board meeting and if not, for approval of the minutes as presented. A motion was made and seconded to approve the minutes as presented. The motion carried.

### **DECLARE CONFLICTS OF INTEREST**

Chair Guthrie asked for a declaration of any conflicts of interest with items on the agenda. Mr. Peter Beard declared a conflict with item 7a-2. Chair Guthrie reminded the members that they also were welcome to declare conflicts with items as they are considered.

### **CONSIDER REPORTS**

#### *Chair's Report*

Chair Guthrie reported that he and several other Board members and staff attended the 19<sup>th</sup> Annual Texas Workforce Commission (TWC) Conference in Dallas. He said that he and Mike Temple also attended the quarterly meetings of the Texas Association of Workforce Boards (TAWB) during that time. He reported that the TWC conference this year was focused on WIOA regulations, people with disabilities and education. At one of the awards ceremonies – TWC recognized the “pioneer Board members” in the State of Texas. The members recognized had served on their board since inception of the board – which involved at least 18 years of service. The Gulf Coast Workforce Board had five pioneer Board Members recognized – Mr. John Hebert, Mr. Ray Laughter, Mr. Richard Shaw, Mr. Gerald Andrews and Chair Mark Guthrie. Chair Guthrie stated that the Gulf Coast region also had two employers honored at the TWC conference based on nominations from our Board – Chevron Phillips and Waste Management and congratulated those honorees.

Chair Guthrie also reported that he attended the November career office openings for our relocated offices in Baytown and Rosenberg. Chair Guthrie noted that he was very impressed with the new locations and the offices.

Chair Guthrie reported that he and Mr. Temple attended the Texas Rehabilitation Action Network (TRAN) Conference in San Marcos in late October. The conference focused on

the Vocational Rehabilitation (VR) programs that are being transferred to TWC and several DARS professionals gave exceptional overviews of the VR programs and how they can assist customers.

Chair Guthrie noted that Legislative Committee Chair Mr. Guy Robert Jackson will be monitoring the Texas legislative interim charges and should anything of interest appear it will be addressed at the following meeting.

Chair Guthrie mentioned that he recently attended the Red, White and You Veteran Job Fair on November 12<sup>th</sup> at Minute Maid Park. The job fair was much bigger than last year with more employers (158) and was well attended. A short video from the job fair was shown.

Chair Guthrie concluded his report and no action was taken

#### Audit/Monitoring Committee Report

Chair Joe Garcia reported that the committee met on Tuesday, November 24, 2015 at 10:00 am at H-GAC offices and received an update on the monitoring activity.

- Operations Reviews. The QA team reviewed operations for the following system units:
  - Tracking Units. These units track customer service and activities for career offices and other Workforce Solutions contractors. Neighborhood Centers operates one unit, and Interfaith, the other. Both Interfaith and NCI tracking units are performing in an acceptable manner.
  - Financial Aid Call Center. The quarterly review of eligibility determinations at the Call Center did not identify any problems.
  - Career Offices. The QA team reviewed service for non-custodial parents, referred to us from family courts in Brazoria, Galveston and Harris counties for non-payment of child support. Neighborhood Centers operates the service with staff located in six offices. The QA team found that the service exceeds expectations, surpassing targets for helping parents get and keep jobs.
  - The QA Team continues to monitor the records for Trade Act services.
  - The QA team continues to revisit offices with facility maintenance/repair issues that affect accessibility ratings. Interfaith offices with remaining needs for minor repairs include Bay City, Conroe, Cypress Station, Huntsville, Wharton and Willowbrook.
  - Employer Service. The QA team completed the first of the two annual reviews of Employer Service. The unit was rated acceptable and

recommendations were made for some adjustments to the on-the-job training activity to improve records management.

- Financial Aid Payment Office. From October 2015 through November 2015 the QA team checked on 84 child care vendors out of a total of 1,520 active vendors. No problems were found.
- Financial Reviews. Interfaith had its annual review with one issue: minor staff overtime paid in error. Interfaith acknowledged the error and refunded the overpayment.

Chair Garcia concluded his report and no action was taken.

### Education Committee Report

Chair Birgit Kamps explained that the Education Committee met on Tuesday, November 3, 2015 at 10:00 a.m. in H-GAC Conference Rooms B/C.

Chair Kamps reported that she led a discussion in which the committee affirmed its purpose: to address the Board's result of an educated workforce by increasing the percentage of residents who are high school graduates and who earn post-secondary credentials for work in high-skill, high-growth occupations.

Chair Kamps explained that after the discussion, the committee members reached consensus on a strategy that engages employers to understand the education/training needs for their workforces and raise awareness of Workforce Solutions' resources to address those needs. This strategy is in addition to the committee's continuing focus on producing and widely distributing career information and labor market data for customers, particularly for students, parents, teachers and counselors.

To begin this process, the committee recommended focus groups to:

- Gather input about needs for basic education and skills training;
- Explore willingness to participate in work-based learning activities including internships; and
- Test support for life-long learning and development of a workplace culture that supports growth for both the company and individual.

Chair Kamps asked staff to develop the employer focus groups, working with the Employer Service staff.

Staff will also develop printed material for use in Employer Service marketing that describes basic education services available through Workforce Solutions to help promote work-based and workplace learning.

Chair Kamps noted that Board Chair Guthrie recognized that this strategy aligns with the recommendations in the report *Making Career Preparation Work for Students* from the Council of Chief State School Officers, which are:

- Enlist the employer community as a lead partner
- Set a higher bar for the quality of career preparation programs
- Make career readiness matter to schools and students

#### *Adult Education and Literacy Update*

Chair Kamps explained that Board staff provided an update on Adult Education and Literacy activities. Board Chair Guthrie requested additional scrutiny of provider enrollment results. In light of the 20% reduction of formula-based funding following the transfer from the Texas Education Agency, demand for services should exceed current capacity. Discussion ensued suggesting that funding reductions led to structural changes that affected offerings and enrollment, as well as changes in the demand for service. Board staff will conduct an additional review and report findings.

#### *Career Planning Resources Update*

Board staff provided a demonstration of the recent updates to Workforce Solutions' career exploration materials, including a revised online web presence.

Chair Kamps noted that the Committee agreed to reconvene following the upcoming release of the Workforce Report Card and review development of the employer-based strategy.

Ms. Dale Pillow advised the Board regarding the free Gulf Cost Literacy Symposium to be held on Saturday, January 30, 2016 from 8:00 am to 4:00 pm at the Pearland ISD Administration Bldg. Ms. Pillow encouraged Board members to register and attend the symposium.

Chair Kamps asked Board members to talk with at least one employer and share the "Discover the Solution" brochure.

Mr. Tony Jones inquired about the focus groups and noted that the committee should not forget to include students with disabilities when working with the focus groups. Mr. Jones noted that helping to assist the disabled with employment will help keep them out of the social security system.

Chair Kamps concluded her report and no action was taken.

#### Career Office Committee Report

Chair Karlos Allen presented the Customer Service Award and explained that our contractors regularly identify staff members they believe best exhibit the I AM Workforce Solutions principles of excellent customer service. The Regional Management Team made up of Board staff and contractor management reviews nominations and selects one or more individuals for recognition.

## **I AM Workforce Solutions Awards**

❖ **Danny Phillips**, Office Manager  
Workforce Solutions - Westheimer

Mr. Phillips has reinvigorated the culture of the Westheimer office since his arrival, raising staff morale in the process. He has been a catalyst for change, creating an atmosphere that is inviting, encouraging, and hopeful. Mr. Phillips reinforces the basic principles of Workforce Solutions by displaying exceptional customer-service skills to customers, staff, and employers. The evidence is in his professionalism and the manner in which he gives customers top priority. Mr. Phillips received the Texas Veterans Commission Workforce Center Award as well as the Best Career Office with the most referrals award from Dress for Success. As a member of several focus groups, he consistently strives to improve operations and processes. Lending himself and his staff to fulfill the needs of the Workforce system – volunteering/participating in organizational events or providing fill-ins for short-staffed offices – Mr. Phillips is the definition of team dedication!

Danny *IS* Workforce Solutions

Chair Allen concluded his report and no action was taken. Chair Guthrie congratulated Mr. Phillips on his award.

**TAKE ACTION**

- a. Procurement. The Committee Vice Chair will present recommendations for funding contracts for public information/outreach and a special demonstration project for disconnected youth.

Ms. Allene Schmitt presented the report on behalf of Procurement Committee.

Ms. Schmitt reported that the Procurement Committee met on November 4, 2015 at 2:00 p.m. to consider recommendations for contracts to provide public outreach services and a demonstration project targeting disconnected young adults.

The committee heard brief presentations from each of the six bidders for public outreach services, followed by six of the seven bidders for the demonstration project.

**Public Outreach**

Ms. Schmitt explained that for many years, the Gulf Coast Workforce Board has contracted for public outreach services. Over the years, we've called the services by different names – advertising, public relations, public information, communications, marketing, etc.

With the help of our contractor, a unified identity was created and branded as The WorkSource in 2001. In 2009, at the request of TWC, The WorkSource brand became Workforce Solutions, as did all Board operations across Texas. In 2014 a new Gulf Coast Workforce Board website using a modern content management system was created.

Ms. Schmitt noted that much has changed since 2001 - Workforce Solutions has fewer local offices, but serves more employers and people. Demand for our service has increased while resources have not. The regional economy has moved through both prosperity and recession and web and mobile technology have transformed the delivery and consumption of information.

Ms. Schmitt explained that the current contract for public outreach services ends in February 2016.

A request for proposals (RFP) for public outreach/public information was released in July 2015. The RFP solicited proposals from qualified firms to provide the following services:

- strategic counsel,
- graphic design and production,
- digital/web, and
- related services as needed.

Proposals were received from six firms – Deutser, eSiteful, Etched Communications, Gilbreath Communications, Outreach Strategists and Savage Brands.

- All firms bid on all four service areas.
- All of the bidders are locally owned and operated.
- One bidder is the current public information contractor
- One bidder is the current web development contractor.

The staff read and scored proposals on four dimensions:

- 1) the qualifications and availability of professional staff,
- 2) experience developing strategies and providing services comparable to what we need,
- 3) relevant expertise, and
- 4) financial terms.

Following the initial review, staff invited the four top-scoring bidders to provide oral presentation.

#### ***Deutser***

Deutser is a local firm that offers sophisticated creative work, particularly in print and video. The agency has several client accounts that align with Workforce Solutions, including UpSkill Houston from the Greater Houston Partnership, Houston Community College and Collaborative for Children. The firm is capable of delivering requested services with strengths in the areas of strategic counsel and graphic design/production. Deutser is also the most expensive of all bidders.

#### ***Gilbreath Communications***

Gilbreath Communications is our current contractor and has provided dedicated service since 2001. The agency's strengths are aesthetically pleasing graphic design and the lowest hourly rates of \$90 to \$110. As a small firm where we are one of the larger clients, Gilbreath has the ability to be responsive to our requests but lacks a demonstrated ability to provide strategic counsel or advanced digital/web service. Relative to the other proposers, Gilbreath is less experienced with new media and strategy to leverage technology.

***Outreach Strategists***

Outreach Strategists is a local firm with extensive experience working with news media and political campaigns. This firm demonstrated a strong understanding of public sector service and public policy processes. Outreach Strategists efforts rely primarily on media relations. Outreach Strategists is the only bidder to demonstrate an understanding of the value of labor market information and provide a viable plan to position the Gulf Coast Workforce Board as an authority on employment and the economy. Outreach Strategists has the capacity to effectively deliver strategic counsel as well as other services related to media relations, media training and video production. The firm lacks strong in-house expertise to service our needs for graphic design/production or digital/web development. The proposed average hourly rate is \$179.

***Savage Brands***

Savage Brands is our current contractor for digital/web development. Savage is a full-service agency, but we have only used web design services. The firm demonstrated a clear understanding that we use communications to serve our customers. Savage provides compelling creative work that follows a sound business strategy. This agency showed an understanding of our vast needs and is the only bidder to provide a multi-year budget in order to accommodate all our needs. With 42 years in business, Savage is the oldest of the firms and is most evolved from traditional to digital media. Savage was the only firm who presented a proposal with a comprehensive web and digital component. Savage is capable of delivering all requested services at the rapid manner which we require. The proposed average hourly rate is \$182.

Staff scored the proposals, and the Procurement Committee approved the scoring as follows:

<b>Bidder</b>	<b>Score</b>
Savage Brands	394
Outreach Strategists	389
Gilbreath Communications	372
Deutser	361
eSiteful	249
Etched Communications	219

Savage Brands and Outreach Strategists are the top-scoring proposers and the Procurement Committee recommended that the Board negotiate one year contracts with Savage Brands and Outreach Strategists, in a total amount for both contracts not to

exceed \$500,000 for the first year, with contracts renewable for up to three additional years depending upon satisfactory performance and availability of funds.

Ms. Schmitt explained that Outreach Strategists is uniquely suited to provide public sector strategic counsel and media relations, and Savage Brands can deliver graphic design and web development as well as other as-needed services.

A motion was made and seconded to adopt committee recommendations to authorize staff to negotiate contracts with Savage Brands and Outreach Strategists, in total amount for both contracts not to exceed \$500,000 for the first year, with the contracts renewable for up to three additional years depending upon satisfactory performance and availability of funds. The motion carried.

#### Disconnected Young Adults Demonstration Project

Ms. Schmitt explained that individuals that are neither in school nor working are considered “disconnected”. Re-engaging these individuals is often a challenge because motivation is low, challenges abound, and appropriate assistance is not always accessible. Young adults that are disconnected also often experience homelessness, truancy, transience, adjudication, and/or enter foster care. One or more of these challenges only makes the distance to re-engagement larger and seemingly more inaccessible.

Traditional “one stop” service centers are built on the idea that individuals can come to one location to receive many services. Service delivery approaches that instead seek to bring the service to the individual (rather than the individual to the service) might better serve disconnected young adults.

Our demonstration project will explore a service model that targets this population of young adults within a targeted geography of the region. The model relies on continuous, consistent, and aggressive service that engages the individual in immediate and extensive worksite-based training and employment along a high-skill high-growth occupational pathway. The project targets a geographic area of need that aligns with and expands upon the current City of Houston My Brother’s Keeper efforts.

This project is part of a national demonstration project initiative targeting seven communities around the country with similar target populations and service objectives. The other communities are: Long Beach, CA; Baltimore, MA; Detroit, MI; St. Louis, MO; Camden, NJ; and, Charleston, SC.

A request for proposals was released soliciting qualified organizations to provide the following:

- Outreach, recruitment, and maintenance of mentor and participant cohorts within the target neighborhoods of Settegast, Denver Harbor, and the neighborhoods surrounding Houston ISD’s Scarborough, Wheatley, and Kashmere High Schools, which are the target feeder pattern schools of the My Brother’s Keeper initiative;

- Coordination with existing Workforce Solutions Adult Education and Literacy (AEL) and Employer Service contractors to deliver the work-based training and employment components of the service model;
- Coordination with the existing Workforce Solutions Regional Facilitator team to deliver job search skills and soft skills training components embedded in the service model; and,
- Design and maintenance of an approach that serves individuals at all times, not only when directly engaged in the daily training and employment activities of the model.

Seven proposals were received – Dynamic Educational Systems, Inc. (DESI), Goodwill Industries of Houston, Inc., Healing the Family, Inc., Knowledge-First Empowerment Center, Milestone Technical Institute, SER – Jobs for Progress, and Volunteers of America, Texas.

The staff read and scored proposals on four dimensions:

- 1) the qualifications and availability of professional staff,
- 2) experience with the elements of the service model,
- 3) demonstrated applied knowledge and outreach plan; and,
- 4) financial terms, including a plan for sustainability.

Following the initial review, the four top-scoring bidders were invited to provide oral presentations.

***Dynamic Educational Systems, Inc. (DESI)***

DESI is an existing workforce service contractor for youth services in rural counties of the region. DESI's proposal demonstrated experience in serving young adults in urban areas throughout the nation. DESI has established a number of formal partnerships within target communities, including churches, non-profits, schools, and city and county agencies that would facilitate delivering the requested services, specifically the outreach and development of mentor and participant cohorts. DESI addressed all three targeted industries by citing existing MOUs with employers in the target communities. DESI also demonstrated a willingness to adapt current services to the needs of the individual and service model and described an implementation plan that integrated their history of relevant service for young adults. DESI applied substantial related experience to support a rational design and approach for the service model. DESI addressed all the elements of the request and proposed a focused work-based project in all three targeted industries.

***Goodwill Industries of Houston***

Goodwill has an extensive history delivering services to individuals with challenges including those with disabilities, transitioning from incarceration, returning from military service, or lacking adequate skills for work. Goodwill's intent to recruit from within its current programs was a highlight of the proposal as it currently directs 20 programs serving as many defined populations. The staff assigned to the project, however, did not

have substantial demonstrated experience nor was the staff's experience clearly aligned with the goals of the current project. The targeted industries of the service model were not adequately addressed. Low skill occupations with limited pathways were included in the service design.

***Healing the Family, Inc.***

Relative to the other proposers, Healing the Family had the least amount of demonstrated organizational experience. The organization did demonstrate an extensive network of community connections within its service area, some of which overlapped with the targeted area of this project. The organization's Executive Director has a history of related experience in the Gulf Coast workforce system, but the goals of Healing the Family focused almost exclusively on health and wellness education for young adults in school. We did not see demonstrated experience both serving out-of-school individuals and delivering workforce services.

***SER – Jobs for Progress***

SER – Jobs for Progress offered an extensive plan for delivering service within its existing YouthBuild project. However, SER staff acknowledged that while they intend to expand the model to the logistics and manufacturing industries in subsequent years, the project would focus solely on the construction industry during the funded service year. Within SER's proposal, only one of the three training occupations (welding) is on the Board's High Skill High Growth occupations list. While SER provided a robust list of partners and has extensive workforce service experience serving young adults, the structure of its proposal was limited to one industry, and SER did not present evidence of flexibility or adaptation. The proposal also relied on an outreach approach that was more about serving the organization's hubs of service rather than the needs of an often transient population. SER's proposal also included two subcontractors offering components that were either unnecessary or redundant to existing services.

Because project funding from the U.S. Department of Labor is available on a demonstration basis for only one year, renewal funding would be based on success in performance, the Board's desire to continue or expand the service, and available system funds for future years.

<b>Bidder</b>	<b>Score</b>
Dynamic Educational Systems, Inc.	366
SER-Jobs for Progress (SER)	324
Goodwill Industries of Houston	292
Healing the Family	279
Milestone Technical Institute (MTI)	190
Volunteers of America, Texas (VOA)	178
Knowledge First Empowerment Center	142

The Procurement Committee recommended that the Board negotiate a one year contract with Dynamic Educational Systems, Inc., in a total amount not to exceed \$700,000.

Several Board members had questions and discussion followed.

A motion was made and seconded to adopt committee recommendations to authorize staff to negotiate a contract with Dynamic Educational Systems, Inc. in total amount not to exceed \$700,000. The motion carried. Mr. Tony Jones voted against the recommendation. Mr. Eduardo Honold and Mr. Peter Beard abstained from voting.

Ms. Schmitt concluded her report and no further action was taken.

Chair Guthrie thanked the Procurement Committee members and board staff that supported this procurement for their hard work and effort.

### **RECEIVE INFORMATION**

#### System Performance

Mr. David Baggerly reviewed the Year End System Performance measures for October 2014 through September 2015. These measures gauge progress toward meeting the results set out in the Board's strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board's operating affiliate, Workforce Solutions.

#### *For Workforce Solutions*

##### *More Competitive Employers* –

Employers Receiving Services (Market Share) – we expected to provide services to 25,452 employers this year which is almost 18% of the 144,799 employers identified for the Gulf Coast area. We provided services to 27,292 employers through September 2015.

Employer Loyalty – Of a possible 22,719 employers, 13,970 returned to The Workforce Solutions for additional services through September 2015.

##### *More and Better Jobs* –

New jobs created – New jobs created in the region as a result of Workforce Solutions partnering with economic development organizations.

Customers employed by the 1<sup>st</sup> quarter after exit – 231,059 of the 296,004 customers who exited service were employed by the quarter after exit.

##### *Higher Real Incomes* –

Exiters with Earnings Gains of at least 20% - 105,547 of the 312,016 customers who exited had earnings gains of at least 20%.

##### *A Better Educated and Skilled Workforce* –

Customers pursuing education diploma, degree or certificate who achieve one - 1,517 of 2,156 customers pursuing an education diploma, degree or certificate exited with a diploma, degree or certificate.

In addition to the Board's measures, Workforce Solutions works to meet the state's expectations for performance on indicators related to the money we received from the Texas Workforce Commission.

For the performance year that began October 1, 2014, the state reports we are meeting or exceeding the target for seven of nine common measures. The common measures we are not meeting are:

- Total Education Achievement. The target for this measure is 80.9%. Our performance in the year was 69.8%.
- Youth Placed in Employment or Education. The target for this measure is 67.0%. Our performance in the year was 62.1%.

Mr. Baggerly reported that current performance reflected for the three quarters after this report (October 2014 thru June 2015) on Total Education Achievement showed that we are meeting these measures per state rules.

Mr. Temple noted that production measures are measured on varying timeframes, and are all in the past, even as much as 12 months prior.

Chair Guthrie explained that he learned during a prior Audit/Monitoring Committee meeting that when the Board employs youth in summer programs, essentially the Board assumes responsibility up for that youth to complete their education, get a certificate or a degree under the education attainment measure. He noted that follow up documentation on education attainment can also be hard to acquire and also counts against our measures. Based on this, he will recommend that participants in summer youth work programs make a commitment to attain an education credential and that we screen applicants more closely in this regard.

Mr. Baggerly reported that the adult education measures are current and are over 50% of the target for the enrollment measure after six months.

The adult education consortium has multiple measures for production and outcomes. We count beginning in July each year.

- Enrollments. Total enrollments are the number of individuals who begin an adult education class. 12+ hour enrollments count the number of individuals who are in class more than 12 clock hours. Transitions enrollments count the number of individuals in adult education classes designed to lead to further post-secondary training. Career Pathways enrollments counts the number of individuals in

contextualized learning (basic education and occupational skills at the same time) classes.

	<b>Target</b>	<b>Year to Date Actual</b>
<b>Total Enrollments</b>	<b>26,500</b>	<b>15,348</b>
12+ Hour Enrollments	25,873	13,204
Transitions	1,277	317
Career Pathways	1,277	212

- **Outcomes.** There are 11 outcome measures. We measure outcomes after a certain minimum number of class clock hours.

<b>Measure</b>	<b>Target</b>	<b>Year to Date Actual</b>
Adult Basic Education – Beginning Literacy	75%	22.1%
Adult Basic Education – Beginning Basic Education	63%	16.6%
Adult Basic Education – Intermediate Low	63%	19.6%
Adult Basic Education – Intermediate High	56%	15.5%
English as a Second Language – Beginning Literacy	64%	10.1%
English as a Second Language – Beginning Low	70%	11.5%
English as a Second Language – Beginning High	72%	12.9%
English as a Second Language – Intermediate Low	74%	14.1%
English as a Second Language – Intermediate High	64%	8.5%
Advanced English as a Second Language	66%	8.7%
Adult Secondary Education	64%	16.5%

Mr. Baggerly concluded his report and no action was taken.

### Expenditure Report

Mr. Mike Temple reviewed the Financial Status Report for ten months ending October 31, 2015 and stated that everything is on target and looked good. Mr. Temple explained that Financial Aid expenditures are running ahead, but that we are closely monitoring and will not exceed the total budget at the end of the year. Mr. Temple noted that the higher Financial Aid expenditures mean that we are providing financial assistance to many customers who need it to get a job, keep a job or get a better job. The year-end report will be presented at the February 2016 Board meeting and a Budget Committee meeting will be scheduled to discuss the budget for 2016.

Mr. Temple concluded his report and no action was taken.

### **LOOK AT THE ECONOMY**

Mr. Ron Borski explained that the rate of unemployment in the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (H-W-S MSA) rose to 4.8 percent in October. Rising layoffs in the energy sector made this the first October increase in unemployment

since The Great Recession in 2008. The rate for unemployment for Texas also increased in October by one-tenth of a percentage point to 4.5 percent while the national rate fell to 4.8 percent. Preliminary estimates indicate the H-W-S MSA added 20,800 jobs in October. Job gains were made possible by an unexpected large increase in Construction as well as seasonal hiring at public/private educational institutions, restaurants and retail stores. Mining & Logging and Manufacturing suffered substantial declines as employers with ties to the energy sector continue to trim payrolls due to weak demands. Seasonally adjust job growth in the H-W-S MSA remained strong until early 2015 and has since stalled.

Mr. Borski concluded his report and no action was taken.

#### *Workforce Demands in Downstream Manufacturing*

Mr. Borski reported that the economy of the Gulf Coast Region is largely centered on the energy industry with roughly half of all jobs tied to it in some way. There are numerous steps that must be made for oil and gas to be found, pumped, shipped, processed, and sold. The industry has been classified into three sectors to make it easier to understand and discuss:

- Upstream – the exploration, production, and extraction of oil and gas
- Midstream – the transportation, storage, and wholesale marketing of crude or refined petroleum products
- Downstream – the oil and gas operations that take place after production and up to the point of sale

#### Downstream Manufacturing

In the downstream sector oil and gas arrives at processing plants where it is refined and processed into various products for sale and distribution. The end results of Downstream Manufacturing are numerous covering a wide variety of products. Some of the products commonly produced include:

- Gasoline
- Diesel Oil
- Jet Fuel
- Propane
- Heating Oil
- Liquefied Petroleum Gas (LPG)
- Liquefied Natural Gas (LNG)
- Plastics
- Synthetic Rubber
- Asphalt
- Lubricants
- Petroleum Coke
- Pharmaceuticals
- Antifreeze
- Fertilizers
- Pesticides

While Downstream Manufacturing is widely known for its relationship to the transportation and power industry, the products listed above point to a relationship with a much broader range of industries. Downstream Manufacturing consists of two industries based on the North American Industry Classification System (NAICS): Petroleum & Coal Product Manufacturing and Chemical Manufacturing.

### Petroleum & Coal Product Manufacturing (Petroleum Refineries)

The Petroleum & Coal Product Manufacturing industry incorporates the transformation of crude petroleum into usable products. The main process in petroleum refining involves the separation of crude petroleum into component products through such techniques as cracking and distillation.

Distillation - the process of vaporizing liquids, crude oil, or one of its fractions in a closed vessel, collecting and condensing the vapors into liquids.

Cracking - the process of breaking down larger molecules of hydrocarbons into smaller ones. When this is done by heating the oil it is known as 'thermal cracking'. If a catalyst is used it is known as 'catalytic cracking'.

The Petroleum & Coal Product Manufacturing industry also includes establishments that further process refined petroleum and coal products and create products such as asphalt coatings and petroleum lubricating oils:

- Petroleum & Coal Product Manufacturing
  - Petroleum Refineries
  - Asphalt Paving and Roofing Materials Manufacturing
  - Other Petroleum and Coal Products Manufacturing

Establishments that manufacture petrochemicals from refined petroleum are classified in Chemical Manufacturing.

### Chemical Manufacturing

The Chemical Manufacturing industry involves the manufacturing of chemicals using basic processes such as thermal cracking and distillation. Establishments convert feedstocks derived from petroleum, or from petroleum and natural gas liquids, into petrochemicals. Refining crude petroleum into petrochemicals is excluded from this industry sector. The Chemical Manufacturing industry is broken up into several different categories:

- Chemical Manufacturing
  - Petrochemical Manufacturing
  - Industrial Gas Manufacturing
  - Synthetic Dye and Pigment Manufacturing
  - Other Basic Inorganic Chemical Manufacturing
  - Other Basic Organic Chemical Manufacturing

### Downstream Manufacturing Highlights

- Development of shale resources and the surge of natural gas and natural gas liquid production is contributing to historical low feedstock prices and a flurry of major projects in the chemical and petrochemical industry (over \$48 billion in Texas)

- U.S. producers use natural gas-based feedstock while most European and Asian producers use oil-based feedstock, the difference in the price is giving the U.S. a distinct competitiveness compared to other regions
- Many of the expansions are geared towards increasing exports which are expected to rise dramatically over the next 15 years
- Significant job growth and economic benefits are expected for the region
- Expansions are causing a shortage of craftspeople (welders, pipefitters, riggers, electricians)

#### Downstream Manufacturing Employment: Past and Present

Faced with environmental mandates and rising feedstock costs (natural gas and other hydrocarbon derivative products), the Downstream Manufacturing sector endured a long-term period of decline after peaking in 1991 with employment falling by some 16,000 jobs or 27 percent to 43,700 in January 2011. Recently the industry has become highly profitable from the boom in shale oil-and-gas exploration encouraging billions of dollars in investments. Since January 2011 Downstream Manufacturing employment has risen by some 3,800 jobs or 8.7 percent

#### Petroleum and Coal Product Manufacturing (Petroleum Refineries)

The number of new refineries built in the U.S. over the last forty years is very small; in fact the first new refinery in the Gulf Coast Region since 1975 was built by Kinder Morgan in 2014 becoming operational just this year. Unsurprisingly, the long-term trend of employment in Petroleum & Coal Product Manufacturing has been negative. U.S. oil production has skyrocketed by nearly 125 million barrels of oil per month over the last five years according to the U.S. Energy Information Administration. The increase in production has been almost entirely for unconventional oil, or light tight oil (LTO). U.S. refiners have primarily invested in processing medium-to heavy-crude making it difficult to process but recently refineries have been making low cost changes to process greater quantities of LTO with capacity's to do so expected to increase over the next several years.

#### Chemical Manufacturing

Chemical Manufacturing has also endured a long-term decline with payrolls falling from the most recent peak of 44,000 in June 1998 to 33,300 in October 2010, down 24.3 percent. The boom in shale exploration has reversed the decline encouraging billions of dollars in investments. Since October 2010 Chemical Manufacturing employment has risen by 4,400 jobs or 13.2 percent. An increase in shale gas production has been the driving factor of a dramatic decline in natural gas prices. With production levels that have dramatically increased in recent years and expectation for it to continue to rise over the next two decades there has been a resurgence of building and expansions by many companies that has already resulted in bringing new jobs to the Gulf Coast Region

#### Wages

The manufacturing sector as a whole provides above average wages when compared to all industries in the Gulf Coast Region. At \$1,801 per week, manufacturing wages in the region were 33.2 percent above the average for all industries as of first quarter 2015. While Downstream Manufacturing employment represented 18 percent of the entire

manufacturing industry sector in first quarter 2015, total wages paid represented 33.3 percent of all wages across all of manufacturing

Average weekly wages for the two subsectors of Downstream Manufacturing, Petroleum & Coal Product Manufacturing and Chemical Manufacturing, were almost identical 25 years ago. Wages for both subsectors have grown substantially since then with petroleum & coal product manufacturers taking the lead with the average weekly wage rising 397.0 percent while wages in chemical manufacturing rose 225.8 percent. Wages in Petroleum & Coal Products Manufacturing experienced an especially large boost in first quarter 2015 as refiners reap the benefits of low cost oil.

Workforce Shortages

Recent expansions under development and the supporting infrastructure of additional pipelines compound workforce shortages in the construction phase. The shortages are sometimes so acute that project deadlines may be missed or projects cancelled.

An Aging Workforce

Another factor contributing to the workforce shortage is an aging population. The percentage of the population that is 55 and over has risen by 5 percent since 2000 and is expected to rise another 3 percent by 2018 to 23.36 percent.

Population by Age								
	2000 Census		2010 CENSUS		2013 ESTIMATE		2018 FORECAST	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total	4,854,389	100.00%	6,087,133	100.00%	6,366,422	100.00%	7,064,464	100.00%
Age 55+	739,122	15.23%	1,156,059	18.99%	1,294,545	20.33%	1,650,040	23.36%

The age of the downstream manufacturing workforce is increasing rapidly with the number approaching retirement age compounding the workforce shortages in the region. The percentage of workers ages 55 and over in Downstream Manufacturing has more than doubled from 10.9 percent in 2000 to 26.3 percent in 2014.

The increased share of employees 55 and over is in part due to smaller retirement portfolios, improved health and along with it an increased life expectancy. Nevertheless, with more than 12,000 rapidly approaching retirement age in Downstream Manufacturing the industry is posed to lose a large portion of their skilled employees. As baby boomers exit the workforce local companies are faced with the task of facilitating the transfer of knowledge and skills to incoming workers.

Downstream Manufacturing Employment: Future

Employment in the Downstream Manufacturing industry peaked at approximately 60,000 back in 1991 but the twenty years that followed the industry incurred long-term declines with payrolls falling to near 44,000 by 2011. Since 2011, workforce demands for the industry have made a dramatic reversal.

Industry Projections: 2012 to 2022

The Gulf Coast Region’s employment is projected to add 712,430 jobs from 2012 to 2022. The 23.8% growth rate is higher than the previously projected 22.7% for the period of 2010 to 2020.

The pace of job growth in Downstream Manufacturing is predicted to be 16.0 percent over the ten year period. While projections are lower than the average of all industries for the entire Gulf Coast Region, they have skyrocketed from a ten year projected increase of 1.0 percent just four years earlier.

Projections indicate that Petroleum & Coal Products Manufacturing and Chemical Manufacturing are expected to expand at a similar pace, 16.5 percent and 15.8 percent respectively. The industry is expected to add more than new 7,500 jobs over the ten year period. Total demand for new employees is actually higher since the projections do not include replacement demand of those leaving the industry due to job change or retirement.

Occupations in Downstream Manufacturing

The following table represents the top 20 occupations in the Downstream Manufacturing industry and their projected 2022 employment levels (see table 2). The total number of people working in the Gulf Coast Region across all industries under the capacity of each occupation is actually larger.

Table 2. Gulf Coast Region Top 20 Downstream Manufacturing Occupations

Occupation Code	Industry Title	Annual Average Employment 2012	Annual Average Employment 2022	Net Change	Percent Change	Annual Average Number of Job Openings*	Mean Annual Wage 2014
51-9011	Chemical Equipment Operators & Tenders	4,490	5,160	670	14.9%	255	\$58,159
51-8093	Petroleum Pump System Operators, Refinery Operators, & Gaugers	3,330	3,860	530	15.9%	350	\$62,910
51-1011	First-Line Supervisors of Production & Operating Workers	3,170	3,640	470	14.8%	510	\$72,717
51-8091	Chemical Plant & System Operators	3,010	3,410	400	13.3%	180	\$64,381
17-2041	Chemical Engineers	1,630	1,880	250	15.3%	135	\$128,304
51-9023	Mixing & Blending Machine Setters, Operators, & Tenders	1,580	1,830	250	15.8%	120	\$35,575
49-9041	Industrial Machinery Mechanics	1,180	1,620	440	37.3%	825	\$53,178
19-4031	Chemical Technicians	1,100	1,260	160	14.5%	115	\$56,933
49-9071	Maintenance & Repair Workers, General	1,070	1,230	160	15.0%	1,145	\$37,315
51-9111	Packaging & Filling Machine Operators & Tenders	1,010	1,130	120	11.9%	205	\$33,380
51-9061	Inspectors, Testers, Sorters, Samplers, & Weighers	730	850	120	16.4%	680	\$42,181
17-2112	Industrial Engineers	660	770	110	16.7%	285	\$113,276
11-3051	Industrial Production Managers	650	740	90	13.8%	165	\$126,623
49-1011	First-Line Supervisors of Mechanics, Installers, & Repairers	650	730	80	12.3%	515	\$68,691
17-2171	Petroleum Engineers	590	680	90	15.3%	735	\$168,282
49-9043	Maintenance Workers, Machinery	500	650	150	30.0%	160	\$43,998
17-2141	Mechanical Engineers	560	640	80	14.3%	390	\$106,532
19-2031	Chemists	560	630	70	12.5%	75	\$75,350
43-5061	Production, Planning, & Expediting Clerks	520	570	50	9.6%	365	\$52,255
51-2092	Team Assemblers	460	530	70	15.2%	650	\$28,905

\*Annual average number of job openings due to growth and replacement needs across all industries in the Gulf Coast Region.

Source: Texas Workforce Commission LMCI Dept.

Seven of the top 20 Downstream Manufacturing occupations are currently on the Gulf Coast Workforce Board’s list of targeted high-skill high-growth occupations:

- Petroleum Pump System Operators, Refinery Operators, & Gaugers
- Chemical Plant & System Operators
- Chemical Engineers

- Industrial Machinery Mechanics
- Industrial Engineers
- Petroleum Engineers
- Mechanical Engineers

Mr. Borski concluded his report and no action was taken.

### **OTHER BUSINESS**

Mr. Tony Jones stated that there has been conversation around City Hall and Houston regarding raising the minimum wage to \$15 per hour in the City of Houston. Mr. Jones asked if staff could determine if there would be any job gains or losses should minimum wage rise to \$15 per hour.

Chair Guthrie stated that he would consider asking staff to review this and noted that there are very debatable statistics surrounding the various analyses of which he was aware.

Ms. Guido provided an update on DARS itinerant offices and explained that it is a work in progress, but collaborations are starting to happen. DARS and DBS staffs are scheduled to be at career offices at least 3 to 4 times a month. Ms. Guido also explained that starting December 3<sup>rd</sup> and continuing every 1st and 3<sup>rd</sup> Thursday of each month DARS will be conducting diversity training for Workforce Solutions staff. The training is approximately 2 hours and will feature blindness and deaf/hard of hearing training. The majority of the trainings will be held at the DARS office on 20<sup>th</sup> street, with a few to be held at the Rosenberg, Conroe and Texas City Career offices. Board members are welcome to attend.

Mr. Temple complimented Ms Guido and Mr. Ron Fleming along with all DARS staff for being helpful and friendly. Mr. Temple stated that we are making great strides in combining the services and benefiting our customers.

Mr. Temple announced an article from the Houston Business Journal was handed out and Mr. Steve Mechler and Mr. Peter Beard were both quoted – A Crumbling Workforce: Construction Industry faces shortage of skilled Workers.

Chair Guthrie and Mr. Temple wished everyone a safe and happy holiday season.

### **ADJOURN**

There was no further business to come before the Board, and Chair Guthrie adjourned the meeting at approximately 11:10 am.



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## **Audit/Monitoring Committee**

### **Update for February 2016**

- **Operations Reviews.**

- **Financial Aid Call Center.** The Regional Quality Assurance Team completed a full review of the Call Center, operated for us by Interfaith, in November. During that month, the center processed 5,495 applications for assistance and handled some 19,000 telephone calls from customers. The team noted the complexity of the work and commended the center and its staff on improved customer service.

The team also noted concerns that need to be addressed, including (1) completing the streamlining of production processes, (2) ensuring staff are trained for streamlined production, (3) improving the center's ability to manage temporary disruptions such as increases in application volume or MIS problems, and (4) ensuring compliance with required eligibility reviews.

We are updating the technical assistance plan for the Call Center to include these issues and scheduling twice-a-month visits to review implementation.

- **Career Offices.** The team reviewed two offices: Southwest (operated by NCI) and Cypress Station (operated by Interfaith), rating the service at both of these offices as acceptable.

At Southwest, the team noted better organized and delivered service. The team recommended improving the process for awarding, documenting and controlling the small amount-financial aid offered at the office and bringing the staffing for this location up to full levels. At Cypress Station, the team noted improved service in the resource room over its assessment from last year and more involvement from the office's management staff during high-traffic periods. The team recommended increasing reminders to customers about protecting their personal data while using the resource room, and repairing multiple, minor facility maintenance issues.

We note that both offices should increase their efforts at placing customers in jobs listed by Workforce Solutions and that Southwest must improve its support to customers in training activities.

- **Employer Service.** We completed a review of on-the-job training – a talent development/training service we offer for employers. We found operations to be acceptable and recommended that Employer Service (1) increase the number and scope of efforts to assist employers in the Board's targeted industries and (2) continued improvement to record-keeping.

- **Financial Aid Payment Office.** From October 2015 through November 2015 we checked on 233 child care providers out of a total of 1,520 active vendors. We issued one service improvement agreement after we identified one instance where a vendor was holding automated attendance cards for eight parents.
  
- **Financial Reviews.** We authorized a pay-for-performance contract with Knowledge First last year to help young adults finish their high school education and obtain a diploma or GED. To date, we have paid Knowledge First \$2,500 for services.

A financial review we requested indicated in the preliminary report that there issues with documentation of services, staffing, and service delivery. We have suspended all payments pending resolution of the monitoring findings. Our financial monitoring contractor is currently reviewing additional information before issuing a final report. We will continue to keep the Board updated on this contract.

## Nominating Committee

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Guy Robert Jackson, Committee member, will present recommendations and conduct the election for 2016 Board officers.

### **Committee Members**

John Hebert - Chair  
Jeff Labroski – Vice Chair  
Guy Robert Jackson

### **Current Officers**

Mark Guthrie– Chairman  
Gerald Andrews– Vice Chair  
Joe Garcia– Vice Chair  
Willie Alexander – Vice Chair

# Budget Committee

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## Proposed 2016 Board Budget

### Background

Each year the Workforce Board approves a budget showing how it uses the revenues it receives to achieve the results set out in the Board's strategic plan: competitive employers, an educated workforce, more and better jobs, and higher incomes.

The budget describes how the Board will use its resources to both operate Workforce Solutions and leverage results in the region.

The Budget Committee met on Thursday, January 14, 2016 with Committee Chair Willie Alexander, Mark Guthrie, Sarah Janes, and Gerald Andrews attending.

### Current Situation

The proposed 2016 budget at \$208 million is 3.4% more than in 2015.

We expect a modest increase in our general revenue – the funds we use to power Workforce Solutions.

- We will have more money to serve customers who have lost a job – significantly more for those adversely affected by trade-related circumstances. The largest single increase in revenue this year comes in Trade Act dollars.
- Our early education/care dollars have increased slightly – mainly due to additional funds secured through local match activities.

We continue to secure additional revenue through collaboration with local, state and federal partners.

- We have some supplemental adult education funds to strengthen career pathways and distance learning activities.
- We received funds to conduct a demonstration project which will support integrated work, career education, and training strategies for disconnected young adults.
- As we noted in 2015, we are receiving additional funds to enhance service for individuals experiencing homelessness in Fort Bend and Harris counties and to expand our service to the Houston Housing Authority's Cuney Homes site.

Proposed 2016 expenditures are in line with contracts the Board approved for Workforce Solutions, for the adult education consortium, and for special projects.

- We propose service for employers be maintained at a comparable level to 2015. These dollars are used to support Workforce Solutions' Employer Service – consulting, talent acquisition, and talent development initiatives.
- We're proposing increasing service for people by roughly 3%. This includes additions to career office staffing to support expanded service for individuals experiencing homelessness and for Cuney Homes residents, the resources for the disconnected youth demonstration project, and more dollars for direct financial aid to customers – mainly scholarships and early education/care assistance.
- We propose an increase to budgeted System IT which better aligns with expenditure levels experienced in 2015 and projected operations into 2016.

We are proposing a Board operations budget of \$5.16 million, an increase of 7.3% from 2015. Board operations represent 2.5% of the total system budget. In 2015, Board operations were 2.4% of the total system.

- The largest increase comes in staffing.
  - Last year we added several Board staff positions for employer service, strategic planning, and adult education – bringing our total staffing to 31 FTE. This year we would like your concurrence with adding two additional positions:
    - The first is an Equal Opportunity Officer. In the past, we shared these duties with Quality Assurance in a single position. As our system has grown, so has our need for expanded, higher-level and more sophisticated quality assurance/quality improvement activity. We're proposing to split the duties in order to bring a stronger focus to quality – the Quality Assurance Manager will be responsible for quality assurance, quality improvement and compliance, and the EO Officer, for equal opportunity processes and procedures.
    - We envision the second position as a temporary one – a project manager for the life of the disconnected young adult demonstration project. We believe it will be important to provide close guidance to ensure the success of the project and learn how we can use results to further improve our service for young adults across the region.
    - The two additional positions bring our total to 33 FTE.

- H-GAC provides a pool of funds for merit raises in most years. Managers recommend raises based on an evaluation of employees' performance. This year the pool has been set at 3%.
- Increases for indirect, rent, and other expenses are largely related to the increase in staffing. We have some increased cost for network, personnel, purchasing, facility support, and print shop services which H-GAC provides.
- At our December 2015 meeting, the Board authorized new contractors for public information and outreach. The proposed 2016 budget amounts reflect that action and show additional funds for the activity.

## Results

With this budget, we plan to achieve the following:

- Provide service for 25,757 employers and 360,000 individuals
- Spend \$12 million on scholarships for more than 3,700 individuals in high-skill, high-growth occupational training
- Provide adult education and literacy for 25,873 individuals
- Support about 21,500 families and 41,000 children with their early education expenses
- Ensure 63% of our employers return for additional services
- Assist in creating 3,000 new jobs
- Help more than 300,000 individuals go to work
- Raise the incomes of 110,000 by at least 20%
- Help 68% of individuals pursuing a post-secondary education attain a credential (certificate or degree)

## Action

Approve the proposed 2016 budget in amount of \$208,830,718.

<b>GULF COAST WORKFORCE BOARD</b>				
<b>PROPOSED 2016 BUDGET</b>				
<b>SOURCE AND USE</b>				
<b>Source</b>		<b>Use</b>		
General Revenue	189,103,936	Board Operations		5,229,639
Special Federal & State Revenue	18,805,758	System IT		360,000
Other	921,024	Service for Employers		7,999,167
		Service for People		195,241,912
		<i>Financial Aid</i>	<i>137,805,000</i>	
		<i>Office Operations</i>	<i>40,775,400</i>	
		<i>Special Projects</i>	<i>2,441,900</i>	
		<i>Adult Education</i>	<i>14,219,612</i>	
<b>Total</b>	<b>\$208,830,718</b>	<b>Total</b>		<b>\$208,830,718</b>

<b>GULF COAST WORKFORCE BOARD</b>				
<b>PROPOSED 2016 BUDGET</b>				
<b>REVENUE SUMMARY</b>				
	<b>2016</b>	<b>2015</b>	<b>Dollar Change</b>	<b>% Change</b>
<b>General Revenue</b>	<b>189,103,936</b>	<b>185,440,060</b>	<b>3,663,876</b>	<b>2.0%</b>
Child Care & Development Block Grant	128,866,662	127,431,178	1,435,484	1.1%
Workforce Investment	30,941,407	31,065,047	-	-0.4%
Temporary Assistance for Needy Families	14,803,840	14,822,334	-	-0.1%
Employment Service	6,103,864	5,887,578	216,286	3.7%
Supplemental Nutrition Assistance	4,118,989	4,240,684	-	-2.9%
Non-Custodial Parents	932,115	932,000	115	0.0%
Trade Adjustment Act	2,984,859	711,639	2,273,220	319.4%
Veterans Employment & Training	352,200	349,600	2,600	0.7%
<b>Special Federal &amp; State Revenue</b>	<b>18,805,758</b>	<b>16,465,038</b>	<b>2,340,720</b>	<b>14.2%</b>
Adult Education and Literacy	15,005,557	14,372,927	632,630	4.4%
Disconnected Youth Project	1,740,090	-	1,740,090	
National Emergency Grants	1,718,000	1,750,000	-	-1.8%
Skills Certification Initiative	342,111	342,111	-	0.0%
<b>Other</b>	<b>921,024</b>	<b>-</b>	<b>921,024</b>	
Coalition for the Homeless	661,024	-	661,024	
Houston Housing Authority	260,000		260,000	
	<b>208,830,718</b>	<b>201,905,098</b>	<b>6,925,620</b>	<b>3.4%</b>

<b>GULF COAST WORKFORCE BOARD</b>					
<b>PROPOSED 2016 BUDGET</b>					
<b>BUDGET SUMMARY</b>					
	<b>2016</b>	<b>2015</b>	<b>% of Total 2016 Budget</b>	<b>Dollar Variance from 2015</b>	<b>% Variance from 2015</b>
<b>Board Operations</b>					
Personnel	3,181,987	2,960,510	1.5%	221,477	7.5%
Indirect	361,474	351,413	0.2%	10,061	2.9%
Consultants & Contract	864,000	737,100	0.4%	126,900	17.2%
Travel	44,100	51,400	0.0%	(7,300)	-14.2%
Rent	193,782	158,243	0.1%	35,539	22.5%
Capital Equipment	-	-	0.0%	NA	NA
Other	584,296	554,679	0.3%	29,617	5.3%
Subtotal, Board Operations	5,229,639	4,813,345	2.5%	416,294	8.6%
<b>System Operations</b>					
System IT, TOTAL	360,000	270,000	0.2%	90,000	33.3%
Service for Employers	7,999,167	8,031,167	3.8%	- 32,000	-0.4%
Service for People					
Financial Aid	137,805,000	134,338,344	66.0%	3,466,656	2.6%
Career Offices	40,775,400	38,394,242	19.5%	2,381,158	6.2%
Special Projects	2,441,900	1,960,900	1.2%	481,000	24.5%
Adult Education	14,219,612	14,097,100	6.8%	122,512	0.9%
Subtotal, System Operations	203,601,079	197,091,753	97.5%	6,509,326	3.3%
<b>Total</b>	<b>208,830,718</b>	<b>201,905,098</b>	<b>100.0%</b>	<b>6,925,620</b>	<b>3.4%</b>

<b>GULF COAST WORKFORCE BOARD</b>		
<b>PROPOSED 2016 BUDGET</b>		
<b>BUDGET DETAIL</b>		
	<b>Board Operations</b>	
	<b>2016</b>	<b>2015</b>
<b>Consultants &amp; Contract</b>	<b>864,000</b>	<b>737,100</b>
Legal Services	15,000	15,000
Audit	33,500	33,500
Financial Monitoring	299,500	300,000
Public Information & Outreach	516,000	388,600
<b>Other</b>	<b>584,296</b>	<b>554,679</b>
Supplies	16,000	16,000
Meeting Expenses	19,000	19,000
Outside Printing	1,750	1,750
Books & Publications	2,000	2,000
Maintenance & Repair	5,000	5,000
Software	5,000	5,000
Licenses & Permits	1,000	1,000
Communications	52,000	77,000
Postage & Delivery	16,000	16,000
Subscriptions & Dues	20,000	10,500
Expendable Equipment	25,200	25,200
Legal Notices	15,000	15,000
Employee Development	10,500	9,000
Network Services	222,170	212,465
Personnel Services	83,312	59,267
Purchasing	17,720	14,690
Print Shop	40,812	37,717
Facility	31,832	28,090

## Report Card Committee

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### 2015 Report Card

## Background

In 2005, the Gulf Coast Workforce Board published the first Report Card as a tool to gauge the region's competitiveness in terms of economy and workforce as compared to similar metropolitan areas across the United States. Since then, the Board has produced four subsequent updates. This 2015 Workforce Report Card is the fifth update.

We again use the metro regions of Atlanta, Dallas, Denver, Miami, San Antonio and San Diego as comparison regions.

We evaluated each region in terms of indicators that affect economy and workforce conditions:

- Macroeconomic and industry dynamics
- Employment and unemployment
- Labor force composition
- Income, wealth and poverty
- Quality of life
- Educational achievement and investment

## Current Situation

The 2015 data tells us that the Gulf Coast region ranks at or above average on nearly all key performance indicators.

- Our region is at the top in terms of overall economic performance with good industrial diversity and consistent job growth.
- We rank toward the middle on labor force and quality of life indicators.
- Education remains an area in need of improvement.

To emphasize its importance, this Report Card includes a special focus section on education that discusses the entire education spectrum – from early education to post-secondary training and beyond.

Report Card Committee Chair Richard Shaw will present the 2015 Report Card at the Board meeting.

## Action

Adopt the Gulf Coast Workforce Board's 2015 Report Card.

**Gulf Coast Workforce Board**  
**System Performance**  
 October 2015 to December 2015

**Board Measures**

These measures gauge progress toward meeting the results set out in the Board’s strategic plan. There are two sets of measures: one for the entire regional workforce system and one for the Board’s operating affiliate, Workforce Solutions.

We report on the Board measures for Workforce Solutions at each meeting.

**More Competitive Employers**

Measure	Annual Target	Current Performance	Performance Last Year
<u>Employers Receiving Services (Market Share)</u> We expect to provide services to 25,757 employers this year. We provided services to 10,317 employers in the quarter ending December 2015.	25,757	10,317	27,292
<u>Employer Loyalty</u> Our performance indicates our employer customers value our services and return to us for additional services. Of a possible 24,235 employers, 7,282 returned to Workforce Solutions for additional services in the quarter ending December 2015.	63%	30.0%	61.5%

## More and Better Jobs

Measure	Annual Target	Current Performance	Performance Last Year
<u>New jobs created</u> New jobs created in the region as a result of Workforce Solutions partnering with economic development organizations. This information is captured quarterly and reflects a two year average through December 2015.	3,000	1,170	2,446
<u>Customers employed by the 1st Qtr after exit</u> 53,393 of the 67,081 customers who exited service in the quarter ending December 2014 were employed by the quarter after exit.	75%	79.6%	78.1%

## Higher Real Incomes

Measure	Annual Target	Current Performance	Performance Last Year
<u>Earnings Gains of at least 20%</u> 27,075 of the 74,693 customers who exited in the quarter ending June 2014 had earnings gains of at least 20%.	36.0%	36.2%	33.8%

## A Better Educated Workforce

Measure	Annual Target	Current Performance	Performance Last Year
<u>Customers pursuing education diploma, degree or certificate who achieve one</u> 382 of 831 customers pursuing an education diploma, degree or certificate attained a diploma, degree or certificate by the end of the quarter after exit.	62%	46.0%	50.2%

## Production

In addition to the Board's measures, Workforce Solutions works to meet Texas Workforce Commission expectations for production.

For the performance year that began October 1, 2015, we are meeting or exceeding the target for six of nine common measures. The common measures we are not meeting are:

- Claimant Reemployment within 10 weeks - The target for this measure is 55%. Our performance through the first quarter of the year was 50.3%.
- Youth Placed in Employment or Education - The target for this measure is 67%. Our performance through the first two quarters of the year was 63.8%.
- Youth Literacy/ Numeracy - The target for this measure is 53%. Our performance through the first two quarters of the year was 38.7%.
- Choices Full Work Rate - The target for this measure is 50%. Our performance through the first quarter of the year was 42.5%.

The adult education consortium has multiple measures for production and outcomes. We count beginning in July of each year.

- Enrollments. Total enrollments are the number of individuals who begin an adult education class. 12+ hour enrollments count the number of individuals who are in class 12 or more clock hours. Transitions enrollments count the number of individuals in adult education classes designed to lead to further post-secondary training. Career Pathways enrollments counts the number of individuals in contextualized learning (basic education and occupational skills at the same time) classes.

	<b>Target</b>	<b>Year to Date Actual</b>
<b>Total Enrollments</b>	<b>25,873</b>	<b>15,645</b>
12+ Hour Enrollments	25,151	14,389
Transitions	1,257	351
Career Pathways	1,377	295

- Outcomes. There are 11 outcome measures. All customers who complete at least 12 hours instruction count in the denominator.

<b>Measure</b>	<b>Target</b>	<b>Year to Date Actual</b>
Adult Basic Education – Beginning Literacy	75%	53.3%
Adult Basic Education – Beginning Basic Education	63%	40.0%
Adult Basic Education – Intermediate Low	63%	41.9%
Adult Basic Education – Intermediate High	56%	33.7%
English as a Second Language – Beginning Literacy	64%	34.8%
English as a Second Language – Beginning Low	70%	38.9%
English as a Second Language – Beginning High	72%	40.0%
English as a Second Language – Intermediate Low	74%	37.6%
English as a Second Language – Intermediate High	64%	27.8%
Advanced English as a Second Language	66%	20.0%
Adult Secondary Education	64%	38.2%

**GULF COAST WORKFORCE DEVELOPMENT BOARD  
FINANCIAL STATUS REPORT  
For the Twelve Months Ended December 31, 2015**

	ANNUAL BUDGET	BUDGET YEAR TO DATE	ACTUAL YEAR TO DATE	DOLLAR VARIANCE
<b>WORKFORCE REVENUES</b>				
WORKFORCE REVENUES	201,905,098	201,905,098	206,858,418	(4,953,320)
<b>WORKFORCE EXPENDITURES</b>				
BOARD ADMINISTRATION	4,813,345	4,813,345	4,546,081	267,264
SYSTEM IT	270,000	270,000	302,925	(32,925)
EMPLOYER SERVICES	8,031,167	8,031,167	8,393,352	(362,185)
RESIDENT SERVICES	188,790,586	188,790,586	193,616,060	(4,825,474)
OFFICE OPERATIONS	38,394,242	38,394,242	36,825,354	1,568,888
FINANCIAL AID	134,338,344	134,338,344	142,534,954	(8,196,610)
SPECIAL PROJECTS	1,960,900	1,960,900	1,007,301	953,599
ADULT EDUCATION	14,097,100	14,097,100	13,248,451	848,649
<b>TOTAL WORKFORCE EXPENDITURES</b>	<b>201,905,098</b>	<b>201,905,098</b>	<b>206,858,418</b>	<b>-4,953,320</b>

**VARIANCE ANALYSIS**

Note: Except for Special Projects that are currently funded through September 30, 2015, the "Budget Year to Date" column reflects straight-line estimate of expenditures for the twelve-month period, assuming equal expenditures every month in order to fully expend the budget in a year.



Labor Market Information  
NOVEMBER 2015 Employment Data

HOUSTON-THE WOODLANDS-SUGAR LAND METROPOLITAN STATISTICAL AREA  
(H-W-S MSA)

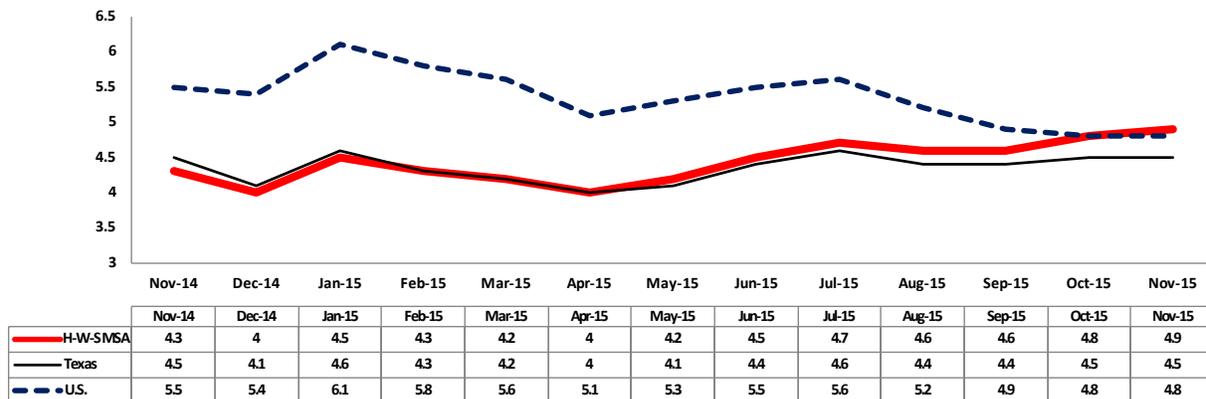
Visit our website at [www.wrksolutions.com](http://www.wrksolutions.com)

The Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (H-W-S MSA) unemployment rate rose one-tenth of a percentage point to 4.9 percent in November while the unemployment rate for Texas and the nation was unchanged. The H-S-B MSA unemployment rate was six-tenths of a percentage point higher than it was one year earlier and for the first time since November 2006 higher than the national unemployment rate. The number of unemployed in the H-W-S MSA rose by 4,765 over the month compared to a decrease of 2,541 one year earlier.

**Unemployment Rate (Actual)**

	NOV 2015	OCT 2015	NOV 2014
<b>Civilian Labor Force</b>	3,249,646	3,241,723	3,289,820
<b>Total Employed</b>	3,090,879	3,087,721	3,147,389
<b>Unemployed</b>	158,767	154,002	142,431
<b>Unemployment Rate</b>	4.9%	4.8%	4.3%

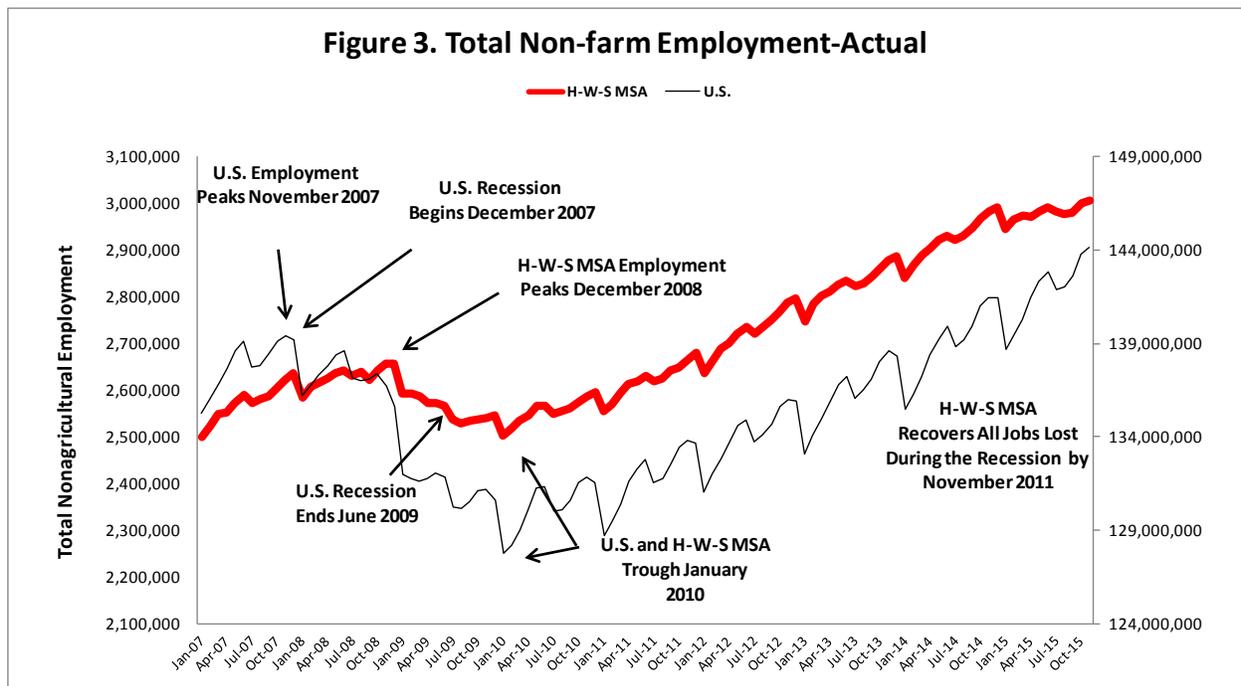
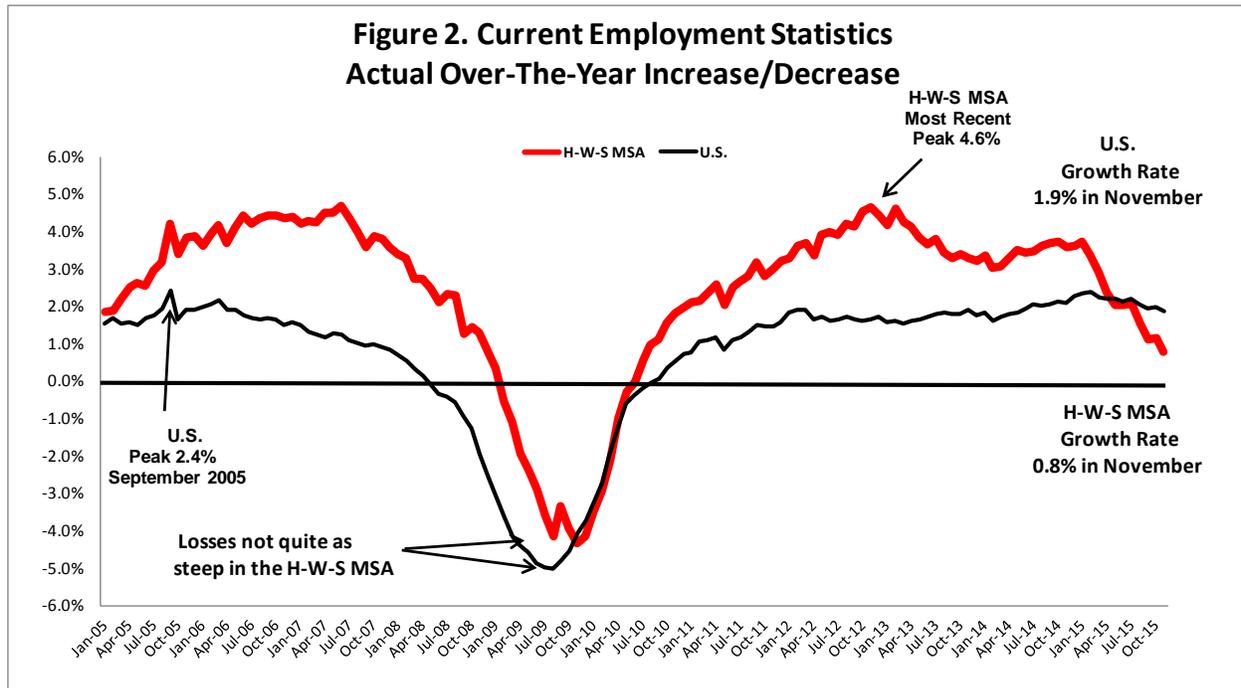
**Figure 1. Rate of Unemployment - Actual**



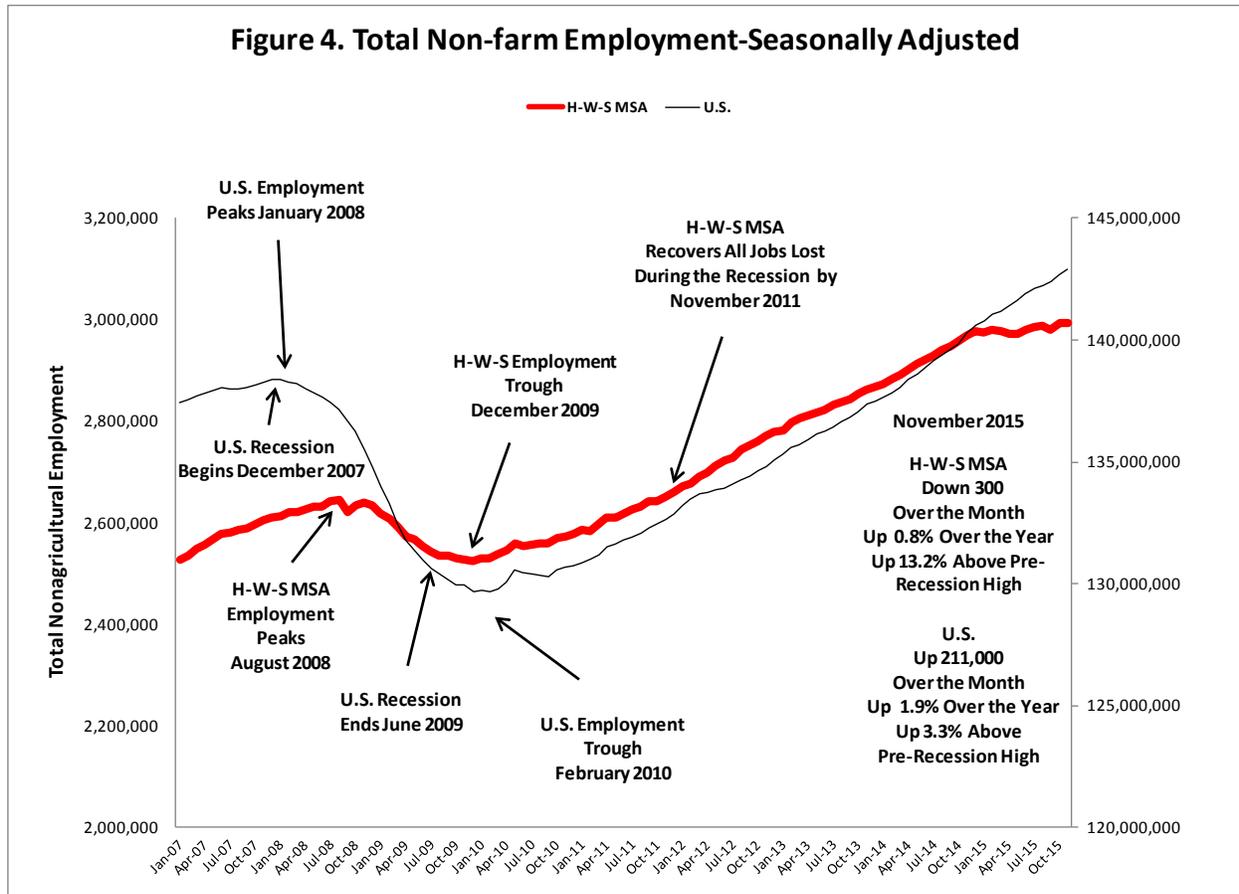
The H-W-S MSA added 4,800 jobs in November. The 0.2 percent November increase was the weakest on record since 2009. Job gains were made possible by seasonal hiring at restaurants and retail establishments. A number of industry sectors were reporting losses including Mining and Logging, Manufacturing, Professional & Business Services, and Other Services.

A continued decline of business activity related to oil and gas exploration and production has driven the pace of job growth in the H-W-S MSA down to 0.8 percent, an increase of 23,700 jobs over the year. This was the weakest pace of job growth since July 2010 when the H-W-S MSA was recovering from the Great Recession. Most of the job growth has been in population driven sectors of the economy such as Leisure & Hospitality, Educational & Health Services, and Local Government. A number of industry sectors were reporting over-the-year losses. Deepest declines have been in

Mining, Manufacturing, and Financial Activities. Detailed data can be viewed on pages 8 & 9. Additional comments by super sector can be found beginning on page 3.

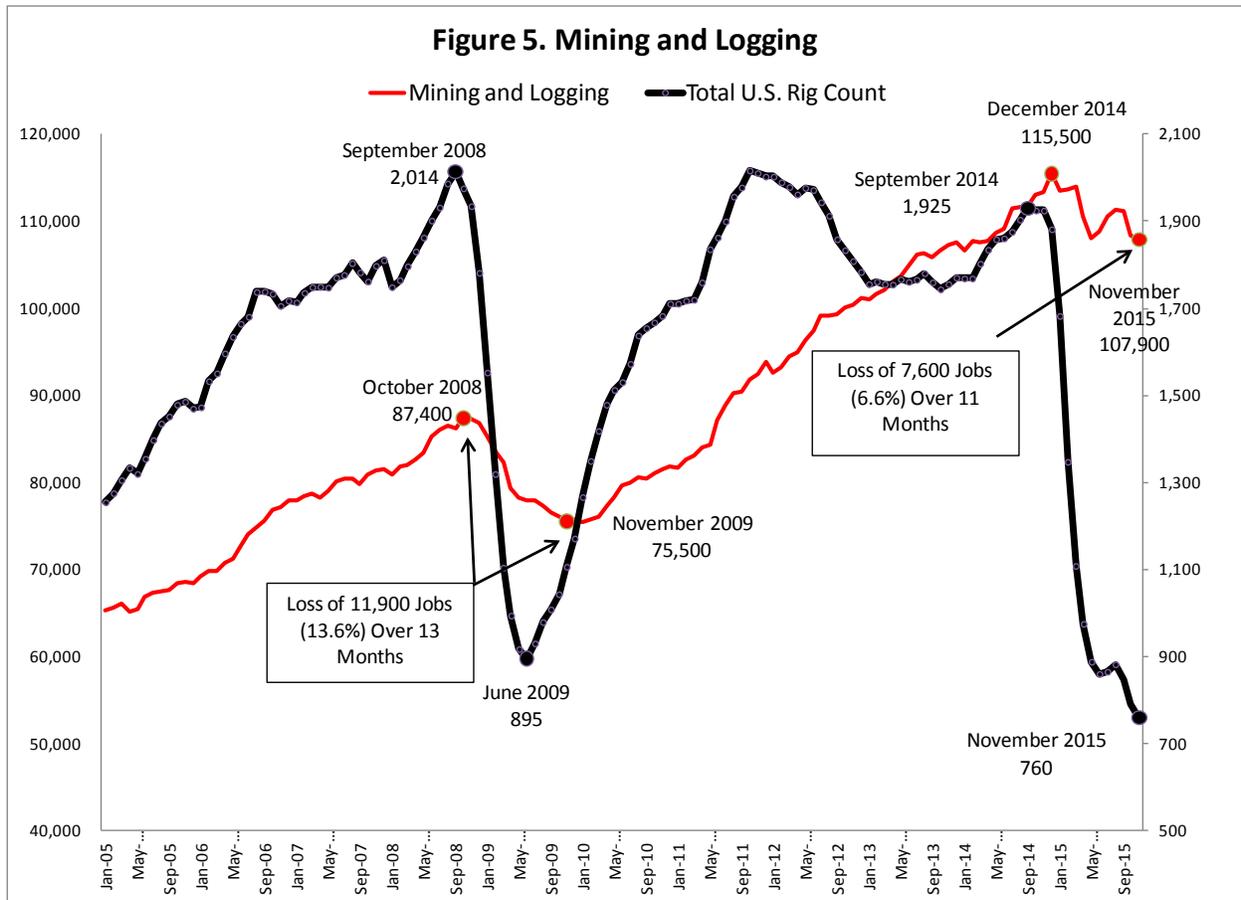


Seasonally adjusted data for the H-W-S MSA and U.S. seen in figure 4 provides an additional view of employment removing the erratic seasonal movement. Seasonally adjusted job growth in the H-W-S MSA remained strong until early 2015 but has since stalled. The pace of job growth at the national level surpassed that of the H-W-S MSA in May, currently up 1.9 percent over the year compared to the H-W-S MSA's increase of 0.8 percent.



### DETAILS BY SUPER SECTOR

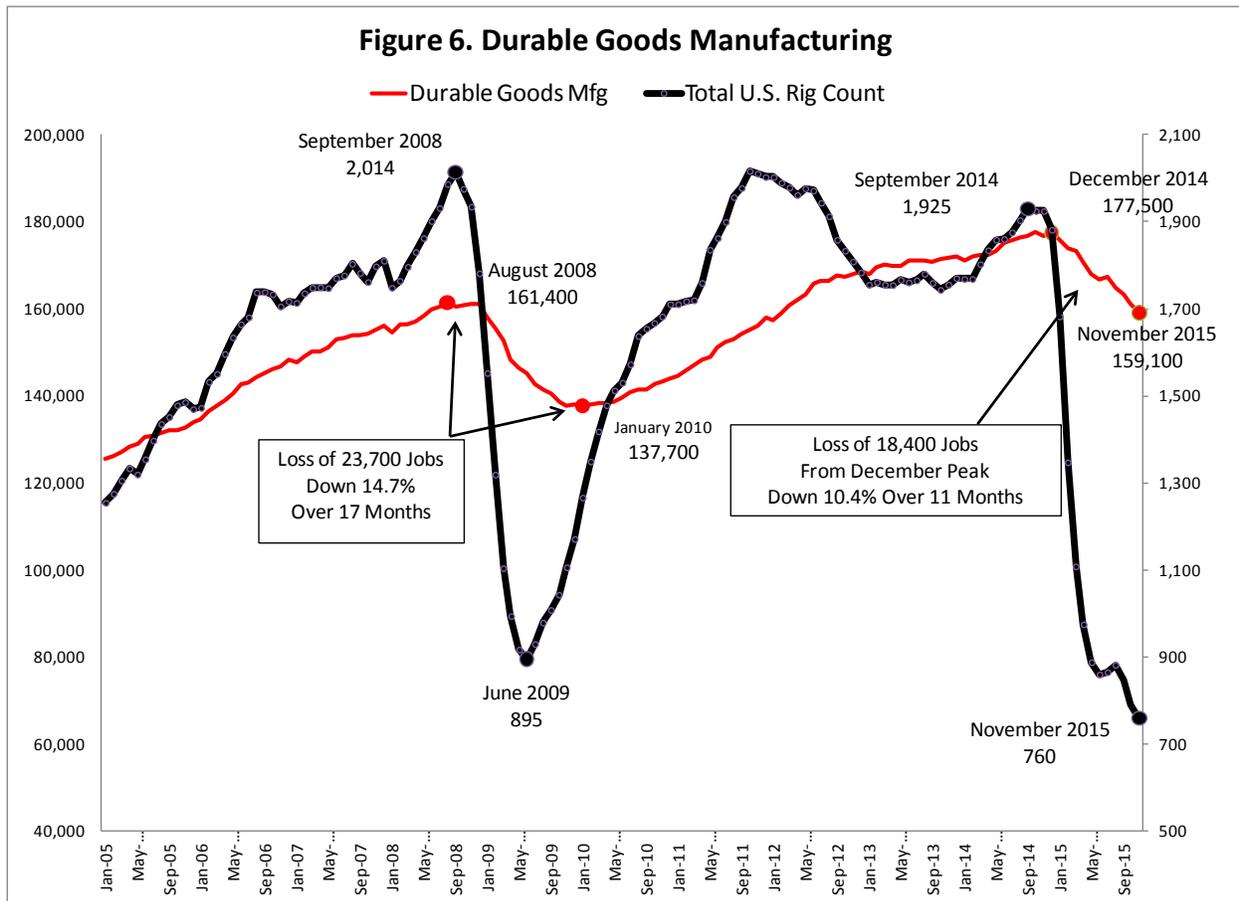
**Mining and Logging** experienced a loss for the third consecutive month, down 500 jobs in November. Job losses continued to mount in the super sector with payrolls down 5,500 jobs or 4.9 percent over the year. Support Activities for Mining, where most oilfield jobs are found, suffered a loss of 2,300 jobs over the year, down 4.2 percent, and Oil and Gas Extraction was reporting a loss of 1,400 jobs, down 2.5 percent. The Mining and Logging super sector reduced payrolls by 11,900 jobs (-13.6%) over a thirteen month period after drilling activity collapsed during the Great Recession. Declines in the super sector have not been as deep during the current collapse in drilling activity with payrolls down 7,600 jobs (-6.6%) from the most recent peak, roughly half as much as during the Great Recession, see figure 5. The average U.S. rig count was 760 in November, down 31 from October and 1,165 (60.5%) from one year earlier. The average Texas rig count was 339 in November, down 10 from October and 565 (62.5%) from one year earlier. With continued low drilling activity and WTI oil prices under \$40 per barrel the probability for additional declines in the super sector remain high for the near future.



While **Construction's** large October increase was deemed as questionable, it only received a minor revision, up 9,200 jobs instead of 9,300 jobs, making it the largest one month increase since May 1990. In November the super sector reported a loss of 1,400 jobs, down 0.7 percent due, to declines at Specialty Trade Contractors. Construction of Buildings and Heavy & Civil Engineering Construction experienced minor gains. Construction was up 4,000 jobs over the year, an increase of 1.9 percent from November 2014. Nearly all of the increase was in Specialty Trade Contractors, up 5,900 or 5.7 percent. A substantial loss in Construction of Buildings was responsible for offsetting job gains in Specialty Trade Contractors, down 2,300 jobs or 3.9 percent.

**Manufacturing** reported a loss for the fourth consecutive month with payrolls down 500 jobs or 0.2 percent. All of the loss was in durable goods manufacturing as manufacturers tied to oil and gas exploration and production reduced payrolls another 2,000 jobs or 1.2 percent. Nondurable goods manufacturers added 1,500 jobs over the month, the strongest one-month increase on record according to data that goes back to 1990. Manufacturing continues to report considerable over-the-year declines with payrolls down 15,400 jobs or 6.0 percent over the year. All of the loss was in Durable Goods Manufacturing, down 17,500 jobs or 9.9 percent over the year. Nondurable Goods Manufacturing added 2,100 jobs over the year largely due to November's increase, up 2.6 percent. The job situation for Durable goods manufacturing is similar to that of Mining and Logging. Durable goods manufacturing reduced payrolls by 23,700 jobs (-14.7%) over a seventeen month period after drilling activity collapsed during the Great Recession. Declines in the super sector have not been as deep during the current collapse in drilling activity with payrolls down by 18,400 jobs over eleven months as of November (-10.4%), see figure 6. The Houston Purchasing Managers

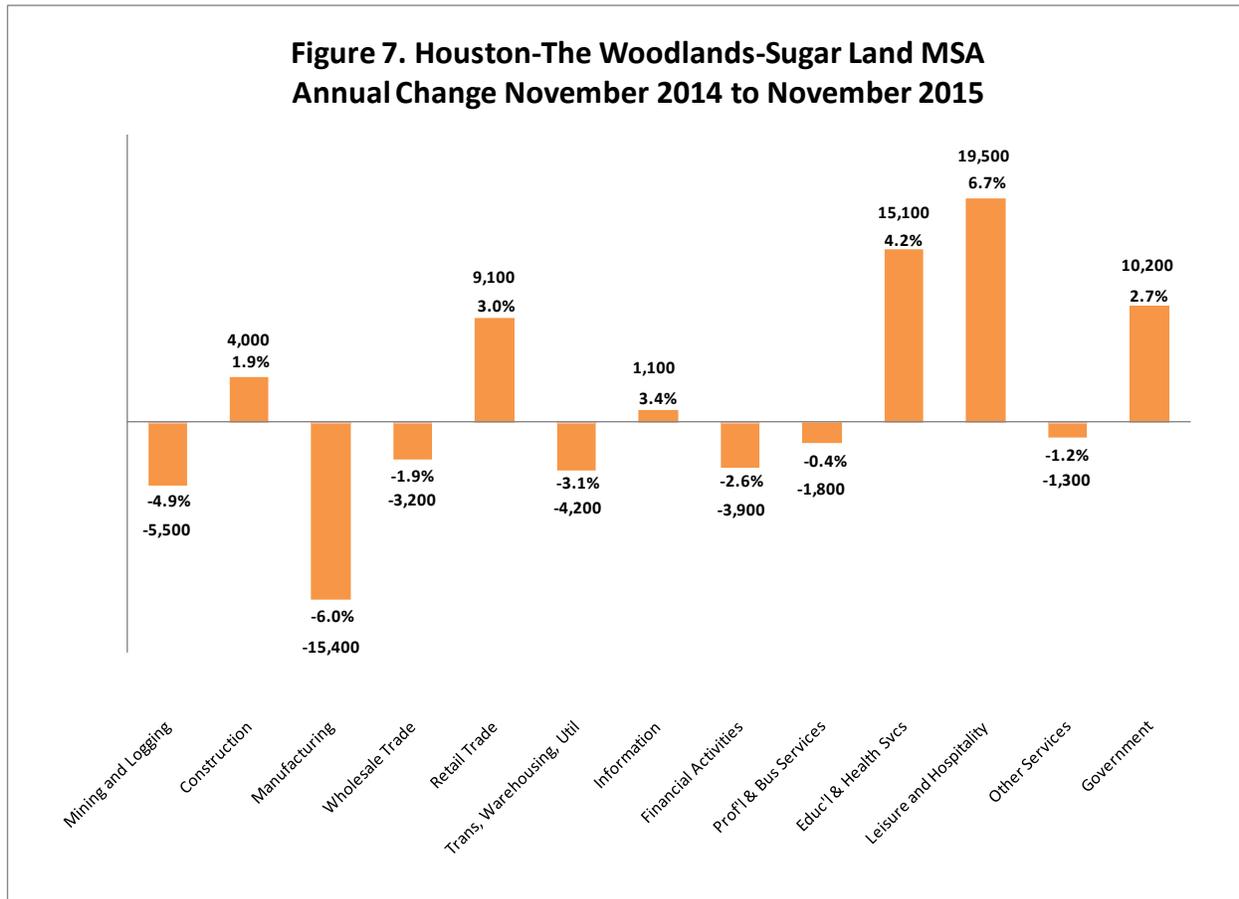
Index fell from 48.0 in October to 44.9% in November. Any index below 50 generally indicates contraction near term.



**Trade Transportation & Utilities** added 8,300 jobs to payrolls in November, up 1.4 percent. November’s increase was largely made possible by seasonal hiring in Retail Trade which added 6,300 jobs over the month. The 2.1 percent November increase in Retail Trade was slightly weaker than a 2.4 percent increase in 2014 but well below a five year average increase of 3.4 percent. Transportation Warehousing and Utilities also experienced a seasonal increase in November with payrolls up 1,800 jobs or 1.4 percent. The pace of job growth in the super sector continued to decline with payrolls up 1,700 jobs or 0.3 percent over the year. Retail Trade was responsible for the increase with payrolls up 9,100 jobs or 3.0 percent over the year. Strongest growth in the retail sector has been at Motor Vehicle and Parts Dealers and Building Material and Garden Equipment and Supplies Dealers. Weak overall global demand and weak demand for energy related products in conjunction with a strong dollar continue to impact Wholesale Trade, down 3,200 jobs or 1.9 percent over the year, and Transportation, Warehousing, and Utilities, down 4,200 jobs or 3.1 percent over the year.

**Information** reduced payrolls by 300 jobs in November with payrolls up 1,100 jobs or 3.4 percent over the year. About half of the MSA’s employment in information resides in telecommunications with the remainder found in newspaper and periodical publishing, software publishing, motion picture and sound recording, and data processing hosting and related services.

**Financial Activities** managed a slight gain of 100 jobs in November. All of the increase was in Finance and Insurance, up 500 jobs or 0.5 percent. Real Estate and Rental and Leasing lost 400 jobs over the month. The super sector continues to report a loss over the year with payrolls down 3,900 jobs or 2.6 percent. Real Estate and Rental and Leasing experienced the deepest decline, down 3,100 jobs or 5.7 percent, followed by Credit Intermediation and Related Activities, down 2,000 jobs or 4.6 percent. Securities, Commodity Contracts, and Other Financial Investments continued to report a healthy increase of 900 jobs over the year, up 4.9 percent.



**Professional and Business Services** reported a loss of 3,600 jobs in November, down 0.8 percent. The super sector has accumulated a loss of 12,200 jobs over the last four months. Professional and Business Services reported its first over-the-year loss since April 2010 when the H-W-S MSA was recovering from the Great Recession, down 1,800 jobs or 0.4 percent from November 2014. The sectors most heavily impacted by the current slump in the energy industry have been Architectural, Engineering and Related Services, down 4,500 jobs or 5.8 percent, Management of Companies and Enterprises (where holding companies, corporate, subsidiary, and regional managing offices are found), down 1,000 jobs or 3.0 percent, and Employment Services (staffing firms), down 2,200 jobs or 2.7 percent. Strongest job gains have been in Accounting, Tax Preparation, Bookkeeping, and Payroll Services, up 900 jobs or 4.0 percent, Legal Services, up 700 jobs or 2.8 percent, and Administrative and Services to Buildings and Dwellings, up 1,700 jobs or 3.5 percent. Layoffs in Professional and Business Services are expected to continue in the up and coming months as demand for services decline and businesses continue to restructure.

Payrolls in **Education and Health Services** were unchanged in November despite a loss of 700 jobs in Ambulatory Health Care Services. Education and Health Services is the second largest contributor of job growth in the H-W-S MSA with payrolls up 15,100 jobs or 4.2 percent over the year. All subsectors were reporting healthy over-the-year increases. The majority of job growth has been in the health sector with Ambulatory Healthcare Services up 4,100 jobs or 2.8 percent and Hospitals up 5,500 jobs or 6.9 percent over the year.

**Leisure and Hospitality** experienced a seasonal increase of 1,700 jobs over the month, up 0.6 percent. Food Services and Drinking Places were responsible for the increase with payrolls up 2,000 jobs. Gains in Food Services and Drinking Places were offset by a seasonal loss of 400 jobs in Arts, Entertainment, and Recreation. Leisure and Hospitality has contributed the most new jobs to the H-W-S MSA over the year and was also the fastest growing super sector with payrolls up 19,500 jobs or 6.7 percent. While all subsectors were reporting increases, most of the new jobs are found in Food Services and Drinking Places, up 17,700 jobs or 7.5 percent. Population growth continues to drive demand in the Leisure and Hospitality super sector.

**Other Services** reported a loss of 1,200 jobs in November, down 1.1 percent. Other Services includes, a number of various repair services (industrial equipment, mining machinery and equipment, and many others related to the oil and gas industry). Other establishments in this category include personal care services, dry cleaning and laundry services, and religious and social advocacy organizations.

**Government** experienced a seasonal increase of 2,200 jobs in November as educational institutions continued to increase payrolls for the 2015 to 2016 school year. The super sector was up 10,200 jobs or 2.7 percent over the year. Most of the increase has been in Local Government, up 9,900 jobs or 3.5 percent.

**NONAGRICULTURAL EMPLOYMENT****Houston-The Woodlands-Sugar Land MSA**

	NOV 2015	Month Change		Year Change	
		Net	Percent	Net	Percent
<b>Total Nonfarm</b>	<b>3,006,400</b>	<b>4,800</b>	<b>0.2%</b>	<b>23,700</b>	<b>0.8%</b>
Total Private	2,612,300	2,600	0.1%	13,500	0.5%
Goods Producing	563,000	-2,400	-0.4%	-16,900	-2.9%
<b>..Mining and Logging</b>	<b>107,900</b>	<b>-500</b>	<b>-0.5%</b>	<b>-5,500</b>	<b>-4.9%</b>
...Oil and Gas Extraction	53,900	-400	-0.7%	-1,400	-2.5%
...Support Activities for Mining	53,000	300	0.6%	-2,300	-4.2%
<b>..Construction</b>	<b>213,100</b>	<b>-1,400</b>	<b>-0.7%</b>	<b>4,000</b>	<b>1.9%</b>
..Construction of Buildings	56,400	300	0.5%	-2,300	-3.9%
..Heavy and Civil Engineering Construction	47,700	100	0.2%	400	0.8%
..Specialty Trade Contractors	109,000	-1,800	-1.6%	5,900	5.7%
<b>..Manufacturing</b>	<b>242,000</b>	<b>-500</b>	<b>-0.2%</b>	<b>-15,400</b>	<b>-6.0%</b>
..Durable Goods	159,100	-2,000	-1.2%	-17,500	-9.9%
...Fabricated Metal Product Manufacturing	58,400	0	0.0%	-7,700	-11.6%
...Machinery Manufacturing	55,300	-1,100	-2.0%	-1,400	-2.5%
....Agriculture, Construction, and Mining Machinery Manufacturing	39,800	-400	-1.0%	-1,600	-3.9%
...Computer and Electronic Product Manufacturing	16,900	0	0.0%	-800	-4.5%
..Non-Durable Goods	82,900	1,500	1.8%	2,100	2.6%
...Petroleum and Coal Products Manufacturing	9,700	0	0.0%	-300	-3.0%
...Chemical Manufacturing	37,900	400	1.1%	900	2.4%
Service Providing	2,443,400	7,200	0.3%	40,600	1.7%
..Private Service Providing	2,049,300	5,000	0.2%	30,400	1.5%
<b>..Trade, Transportation, and Utilities</b>	<b>614,100</b>	<b>8,300</b>	<b>1.4%</b>	<b>1,700</b>	<b>0.3%</b>
...Wholesale Trade	168,200	200	0.1%	-3,200	-1.9%
....Merchant Wholesalers, Durable Goods	96,500	1,000	1.0%	-2,000	-2.0%
.....Professional and Commercial Equipment and Supplies Merchant Wholesalers	13,000	0	0.0%	400	3.2%
....Merchant Wholesalers, Nondurable Goods	44,200	100	0.2%	-1,500	-3.3%
...Retail Trade	312,800	6,300	2.1%	9,100	3.0%
....Motor Vehicle and Parts Dealers	40,500	0	0.0%	1,700	4.4%
....Building Material and Garden Equipment and Supplies Dealers	22,300	-100	-0.4%	1,400	6.7%
....Food and Beverage Stores	63,400	200	0.3%	1,200	1.9%
....Health and Personal Care Stores	19,100	100	0.5%	100	0.5%
....Clothing and Clothing Accessories Stores	30,500	2,100	7.4%	100	0.3%
....General Merchandise Stores	71,100	4,300	6.4%	1,900	2.7%
.....Department Stores	23,900	2,000	9.1%	200	0.8%
.....Other General Merchandise Stores	47,200	2,300	5.1%	1,700	3.7%
...Transportation, Warehousing, and Utilities	133,100	1,800	1.4%	-4,200	-3.1%
....Utilities	16,400	200	1.2%	500	3.1%
.....Air Transportation	20,500	100	0.5%	0	0.0%
.....Truck Transportation	25,600	-300	-1.2%	200	0.8%
.....Pipeline Transportation	10,600	0	0.0%	100	1.0%
<b>..Information</b>	<b>33,800</b>	<b>-300</b>	<b>-0.9%</b>	<b>1,100</b>	<b>3.4%</b>
...Telecommunications	15,500	200	1.3%	300	2.0%
<b>..Financial Activities</b>	<b>144,900</b>	<b>100</b>	<b>0.1%</b>	<b>-3,900</b>	<b>-2.6%</b>
...Finance and Insurance	93,300	500	0.5%	-800	-0.9%
....Credit Intermediation and Related Activities	41,600	200	0.5%	-2,000	-4.6%
.....Depository Credit Intermediation	27,900	100	0.4%	-700	-2.4%
....Securities, Commodity Contracts, and Other Financial Investments and Related Activities	19,100	100	0.5%	900	4.9%
....Insurance Carriers and Related Activities	32,100	200	0.6%	200	0.6%
...Real Estate and Rental and Leasing	51,600	-400	-0.8%	-3,100	-5.7%

<b>NONAGRICULTURAL EMPLOYMENT</b> <b>Houston-The Woodlands-Sugar Land MSA</b>	<b>NOV 2015</b>	<b>Month Change</b>		<b>Year Change</b>	
		<b>Net</b>	<b>Percent</b>	<b>Net</b>	<b>Percent</b>
<b>..Professional and Business Services</b>	469,500	-3,600	-0.8%	-1,800	-0.4%
...Professional, Scientific, and Technical Services	221,700	500	0.2%	-1,300	-0.6%
....Legal Services	25,400	300	1.2%	700	2.8%
....Accounting, Tax Preparation, Bookkeeping, and Payroll Services	23,300	0	0.0%	900	4.0%
....Architectural, Engineering, and Related Services	72,500	-800	-1.1%	-4,500	-5.8%
....Computer Systems Design and Related Services	32,700	-300	-0.9%	-300	-0.9%
...Management of Companies and Enterprises	32,800	-400	-1.2%	-1,000	-3.0%
...Administrative and Support and Waste Management and Remediation Services	215,000	-3,700	-1.7%	500	0.2%
....Administrative and Support Services	202,800	-3,800	-1.8%	-1,600	-0.8%
.....Employment Services	79,800	-900	-1.1%	-2,200	-2.7%
.....Services to Buildings and Dwellings	49,900	-500	-1.0%	1,700	3.5%
<b>..Educational and Health Services</b>	374,900	0	0.0%	15,100	4.2%
...Educational Services	56,800	100	0.2%	2,100	3.8%
...Health Care and Social Assistance	318,100	-100	0.0%	13,000	4.3%
....Ambulatory Health Care Services	149,100	-700	-0.5%	4,100	2.8%
....Hospitals	85,300	100	0.1%	5,500	6.9%
<b>..Leisure and Hospitality</b>	308,500	1,700	0.6%	19,500	6.7%
...Arts, Entertainment, and Recreation	30,100	-400	-1.3%	900	3.1%
...Accommodation and Food Services	278,400	2,100	0.8%	18,600	7.2%
....Accommodation	26,000	100	0.4%	900	3.6%
....Food Services and Drinking Places	252,400	2,000	0.8%	17,700	7.5%
<b>..Other Services</b>	103,600	-1,200	-1.1%	-1,300	-1.2%
<b>Government</b>	394,100	2,200	0.6%	10,200	2.7%
.Federal Government	28,000	300	1.1%	100	0.4%
.State Government	73,200	100	0.1%	200	0.3%
..State Government Educational Services	40,300	300	0.8%	300	0.8%
.Local Government	292,900	1,800	0.6%	9,900	3.5%
..Local Government Educational Services	202,600	1,800	0.9%	4,800	2.4%

#### UNEMPLOYMENT RATE

	<b>NOV 2015</b>	<b>OCT 2015</b>	<b>NOV 2014</b>
H-W-S MSA	4.9	4.8	4.3
Texas (Actual)	4.5	4.5	4.5
United States (Actual)	4.8	4.8	5.5

**Houston-The Woodlands-Sugar Land MSA:** Includes Austin, Brazoria, Chambers, Ft. Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties. All Data is Subject To Revision.

Sources: U.S. Department of Labor, BLS, Texas Workforce Commission, Institute for Supply Management, Baker Hughes Incorporated, Kiley Advisors, Metrostudy, and The Federal Reserve Bank of Dallas.



## Gulf Coast Workforce Trends in Professional, Scientific, and Technical Services

Prepared January 2016

*Data Source(s):*

*Bureau of Labor Statistics: Current Employment Statistics (CES) and Quarterly Census of Employment and Wages (QCEW)*

*Census Bureau: Quarterly Workforce Indicators (QWI)*

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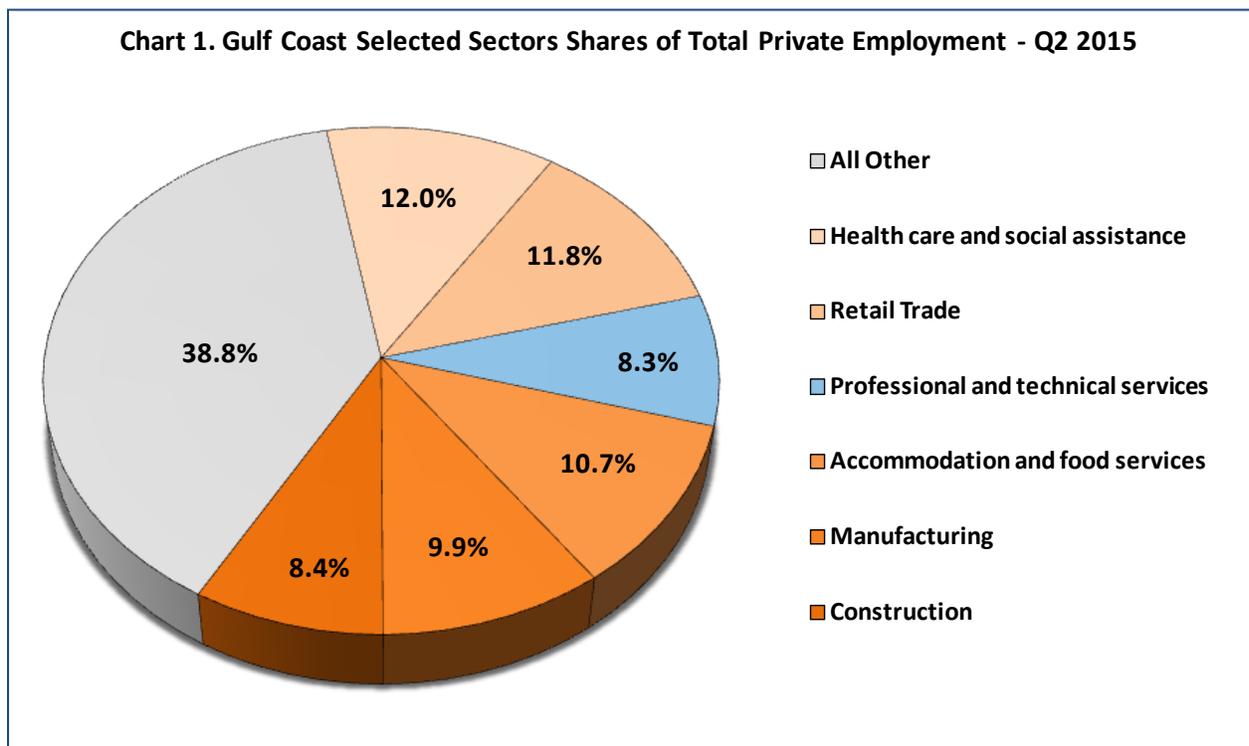
*Workforce Solutions is an affiliate of the Gulf Coast Workforce Board, which manages a regional system that helps employers solve their workforce problems and residents build careers so both can compete in the global economy. The workforce system serves the City of Houston and the surrounding 13 Texas Gulf Coast counties including: Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Harris, Liberty, Matagorda, Montgomery, Walker, Waller, and Wharton.*

## Overview

Professional, Scientific, and Technical Services, often referred to as simply Professional and Technical Services, is one of 20 major economic sectors that includes a range of high value-added services such as legal services, accounting, architecture and engineering, computer systems design, advertising, and others. With few exceptions businesses and organizations that fall within this sector specialize in activities that require a high degree expertise and training. As a result, workers often have relatively high levels of education including but not limited to specialized degrees as well as licenses issued by regulatory entities. This frequently translates into strong growth prospects and high wages making it a long targeted sector by the Gulf Coast Workforce Board. This report examines past, present, and future trends among the industries and occupations within this sector of the Gulf Coast regional economy.

## Contribution of Professional, Scientific, and Technical Services to Local Employment

As of the second quarter of 2015, there were 212, 935 jobs in Professional, Scientific and Technical Services comprising 8.3 percent of total private employment in the Gulf Coast region. The share of these jobs rose from 7.8 percent a decade earlier indicating that this sector continues to grow in importance as a source of jobs. Relative to other sectors, Professional and Technical Services was the sixth-largest in terms of employment making it comparable in size to Construction. (See Chart 1.)



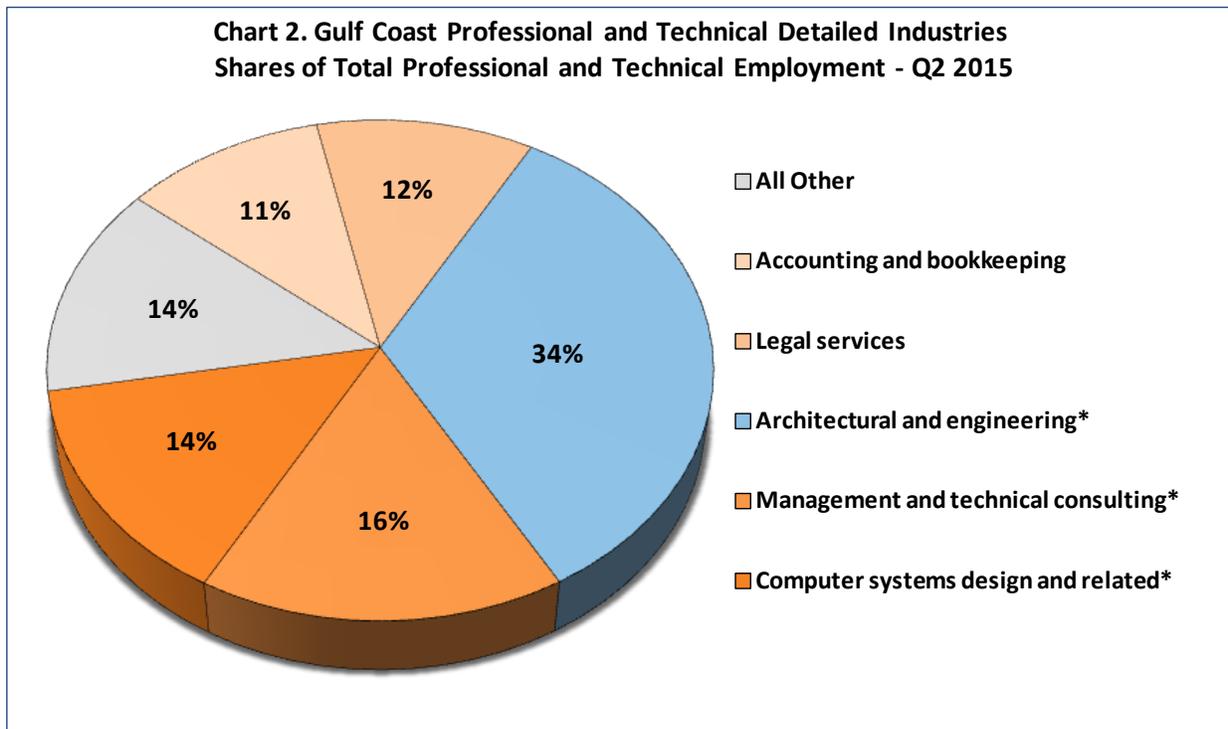
## Major Industries within Professional, Scientific, and Technical Services

Within Professional and Technical Services there are nine major industries:

- Legal
- Accounting and Bookkeeping
- Architectural and Engineering\*
- Specialized Design
- Computer Systems Design and Related\*
- Management, Scientific, and Technical Consulting\*
- Scientific Research and Development
- Advertising, PR, and Related
- Other Professional and Technical Services

\*Denotes high-skill, high-growth industry targeted by the Gulf Coast Workforce Board

Among these nine industries, Architectural and Engineering Services make up the plurality of jobs in Professional and Technical Services in the Gulf Coast with 34 percent (71,739 jobs) followed by Management and Technical Consulting (16 percent) and Computer Systems Design and Related Services (14 percent). Engineering Services account for 70 percent of jobs in the Architectural and Engineering category and the largest employers in this category are overwhelmingly providers of services to energy companies in the region. (See Chart 2.)

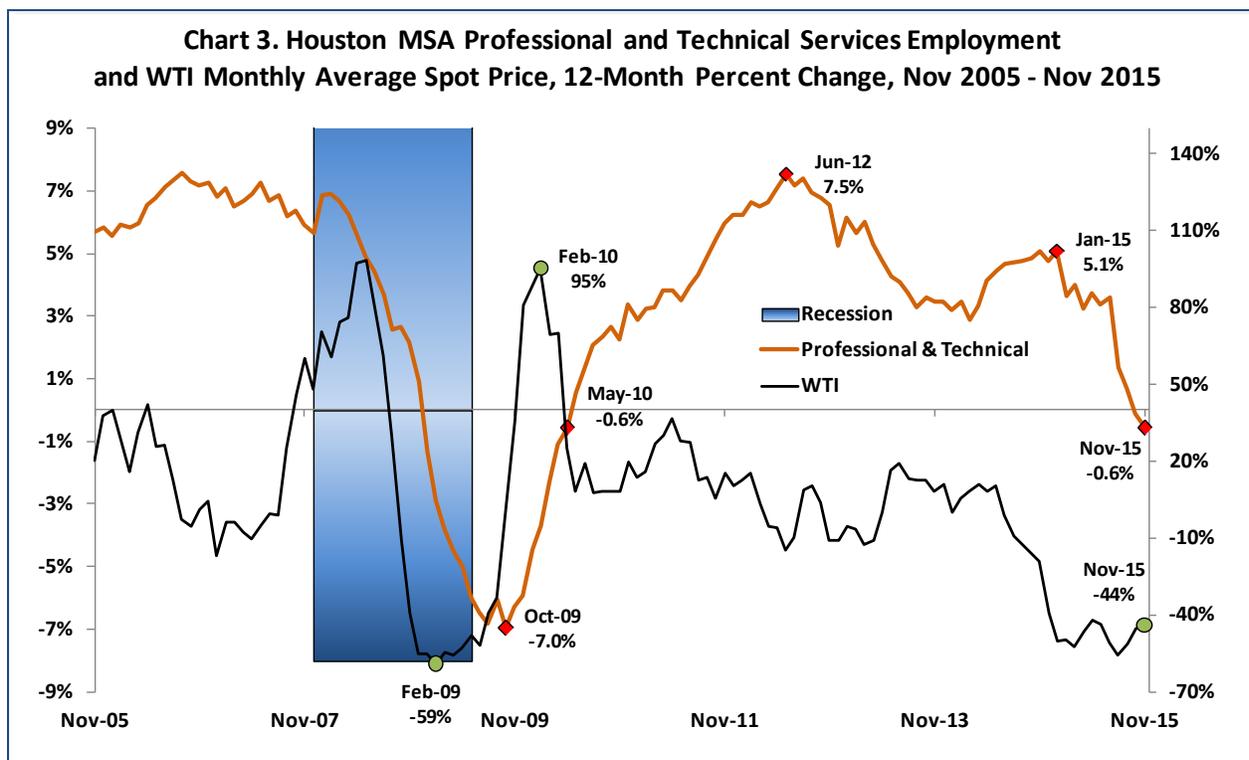


\*Denotes high-skill, high-growth industry targeted by the Gulf Coast Workforce Board

## Recent Employment Trends in Professional and Technical Services vis-à-vis Oil Prices

As a result of its relationship to the oil and gas industry by way of Architectural and Engineering Services and to a lesser extent Management and Technical Consulting, the fortunes of the overall Professional and Technical Services sector have followed the trajectory of oil prices since early 2015. This has been reflected in the dramatic rate of change in job growth, which was as high as 5.1 percent as recently as January 2015. By October of that same year growth turned negative and as of November 2015 registered a decline of -0.6 percent. Note that the price of West Texas Intermediate oil began posting year over year declines as early as July 2014 and by November 2015 was down nearly 44 percent from the previous year.

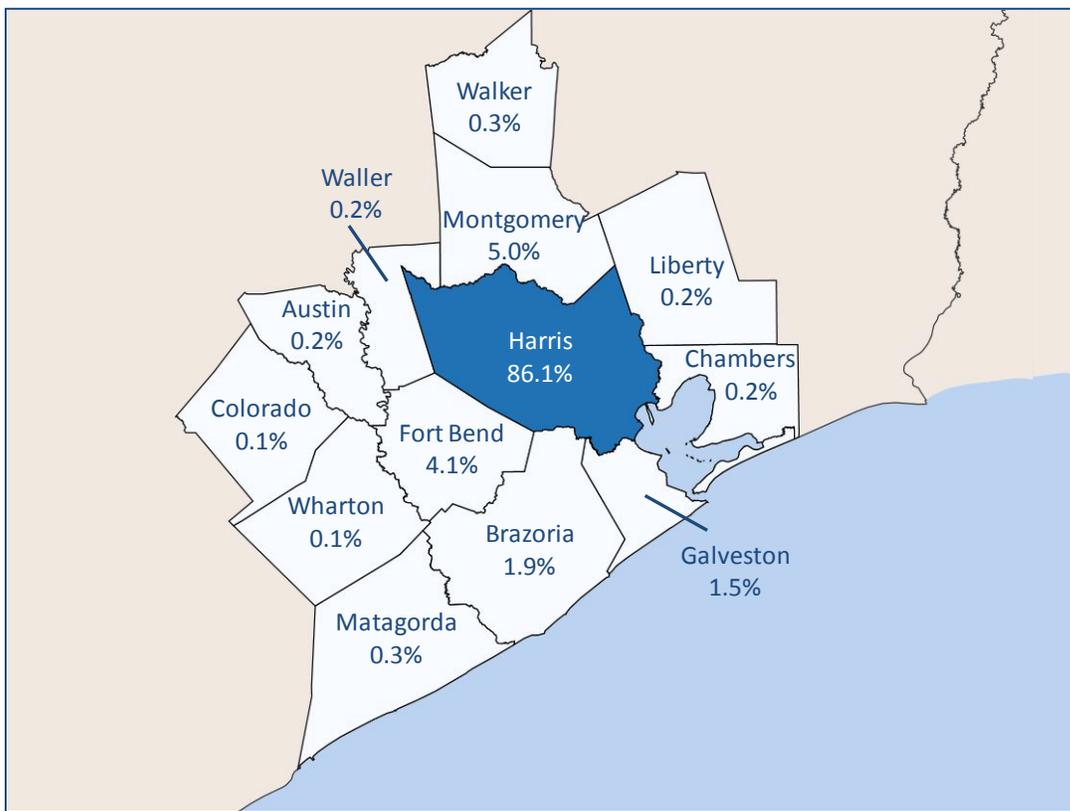
The last time Professional and Technical Services saw a comparable rate of negative growth was May 2010 however that was after reaching a trough of -7.0 percent during the depths of the recession. While it is impossible to predict the point at which oil prices and subsequently employment begin recover, extrapolating from the trend observed during the recession implies that there will be continued job losses in Professional and Technical Services, among other sectors, well into 2016. (See Chart 3.)



## The Geography of Professional and Technical Services Employment across the Region

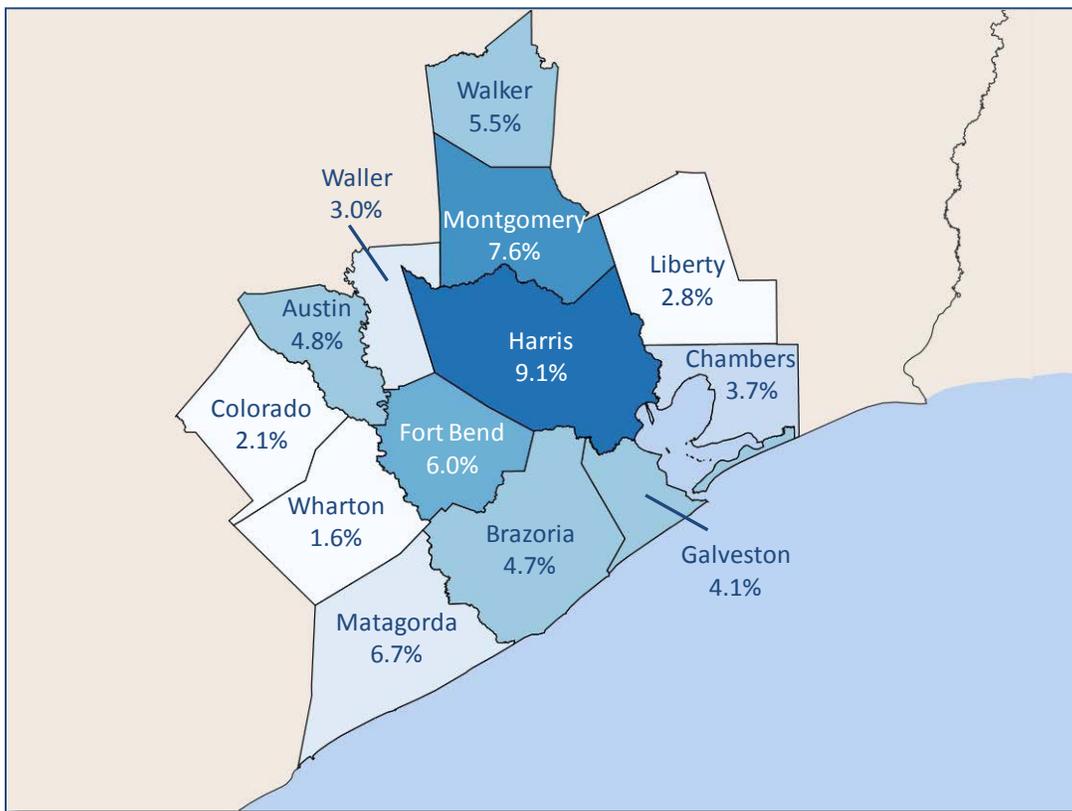
Of the approximately 213,000 Professional and Technical Services jobs across the 13-county region, the overwhelming majority (86.1 percent) are found within Harris County compared to 80.0 percent of total private employment and only two-thirds of the region's population. The next highest shares of Professional and Technical jobs were found in Montgomery County (5.0 percent) and Fort Bend (4.1 percent). Brazoria (1.9 percent) and Galveston (1.5 percent) were the only other counties to comprise 1 percent or more of total Professional and Technical Services employment in the region. (See Exhibit 1.)

**Exhibit 1. County Share of Gulf Coast Region Employment in Professional, Scientific, and Technical Services, Q2 2015**



As noted, the vast majority of Professional and Technical Services employment was found within the geographic core of the 13-county region. However shares of this sector's employment *within* each county demonstrated comparatively more balance. At the upper end was Harris County with the highest concentration of Professional and Technical Services employment as a percentage of the county's total private employment at 9.1 percent. This was followed by Montgomery and Matagorda Counties with 7.6 percent and 6.7 percent, respectively. At the other end of the range were Liberty (2.8 percent), Colorado (2.1 percent), and Wharton (1.6 percent). Lastly, it is worth highlighting that some counties on the periphery of the region, such as Walker (5.5 percent) and Austin (4.8 percent) also had relatively high proportions of Professional and Technical employment given their small populations. (See Exhibit 2.)

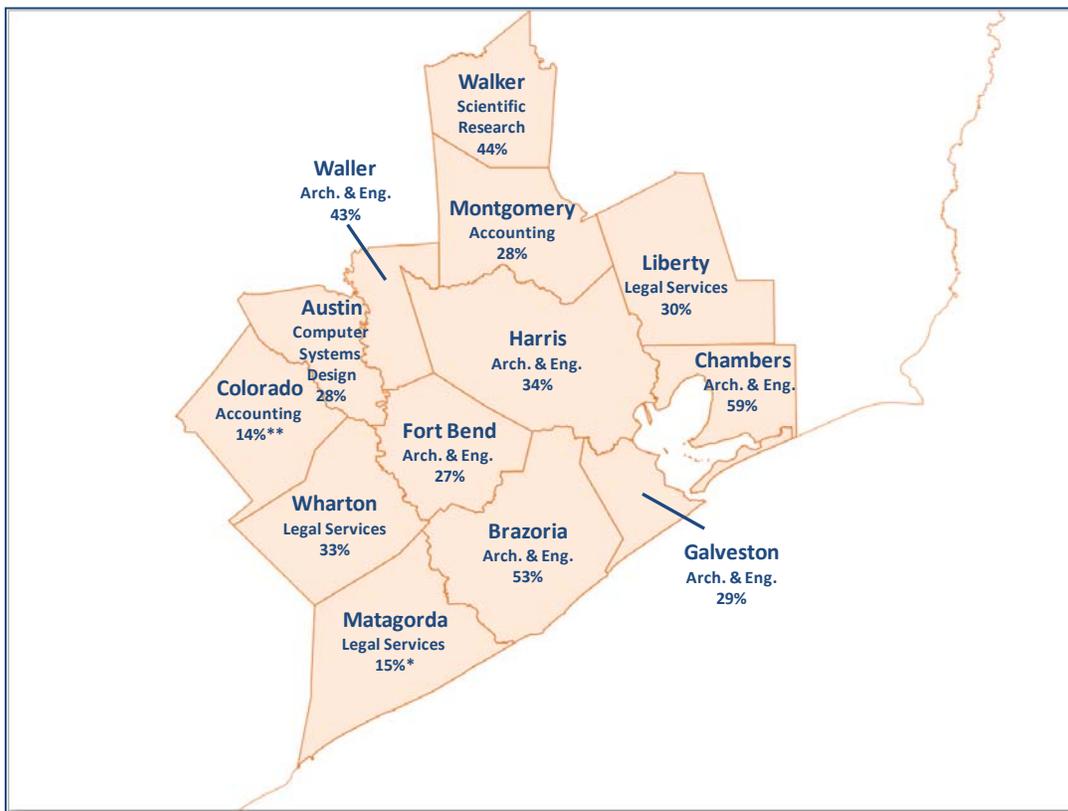
**Exhibit 2. Professional, Scientific, and Technical Services Share of County Total Private Employment, Q2 2015**



Another method of analyzing the geographic distribution of Professional and Technical jobs across the region involved identifying which of the nine major Professional and Technical industries were the largest within each county. Given region’s specialization in energy, it was not surprising that Architecture, Engineering, and Related Services was the most frequently encountered industry, proving to be the largest in 6 out of 13 counties. In two of these counties, Chambers (59 percent) and Brazoria (53 percent), a majority of Professional and Technical jobs were in Architecture and Engineering.

In contrast, Legal Services were the largest industry in Wharton, Liberty, and Matagorda Counties. Accounting was the largest in Montgomery and Colorado Counties while Computer Systems Design was the largest in Austin County, possibly the result of several small computer systems design and custom programming firms in the area. Lastly, Scientific Research was the largest Professional and Technical industry in Walker County and presumably related to the presence of Carnegie designated doctoral research institution Sam Houston State University. (See Exhibit 3.)

**Exhibit 3. Largest Professional and Technical Industry as a Percentage of County Total Professional and Technical Services Employment, Q2 2015**

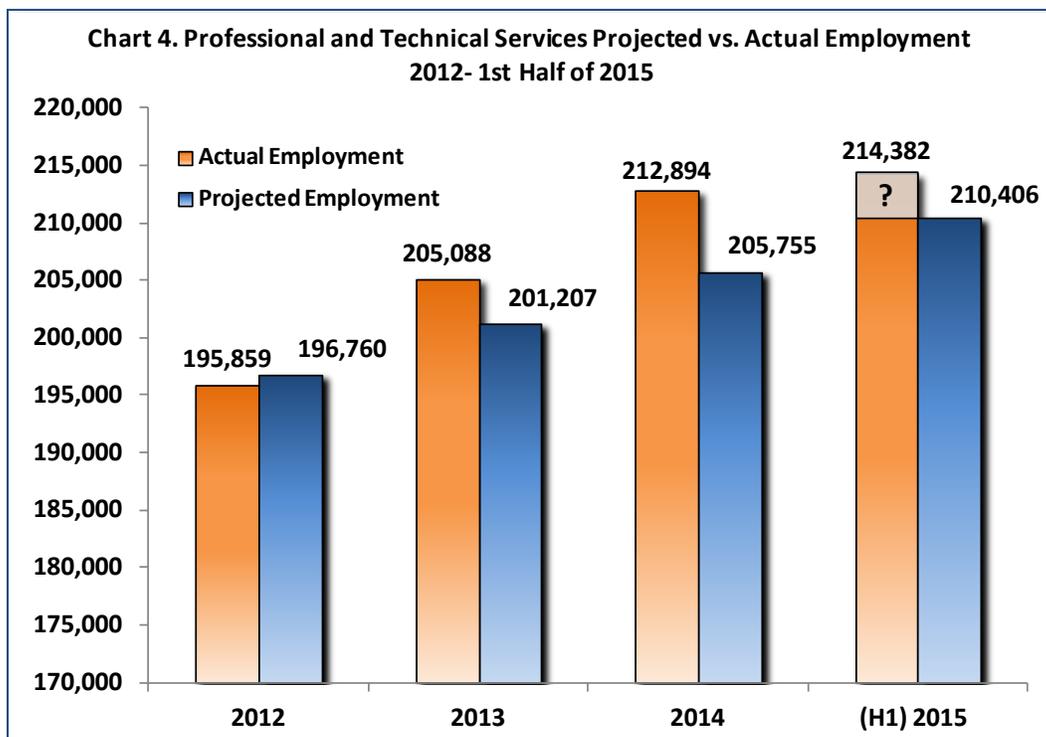


## Professional and Technical Services Sector - Employment Projections vs. Actual Job Growth

As noted Professional and Technical Services employment is projected to grow 25 percent between 2012 and 2022. This translates to an average annual projected growth rate of 2.3 percent each year. Armed with this knowledge it was possible to determine whether Professional and Technical Services has been growing at the pace needed to reach the projected target of 246,040 jobs by 2022.

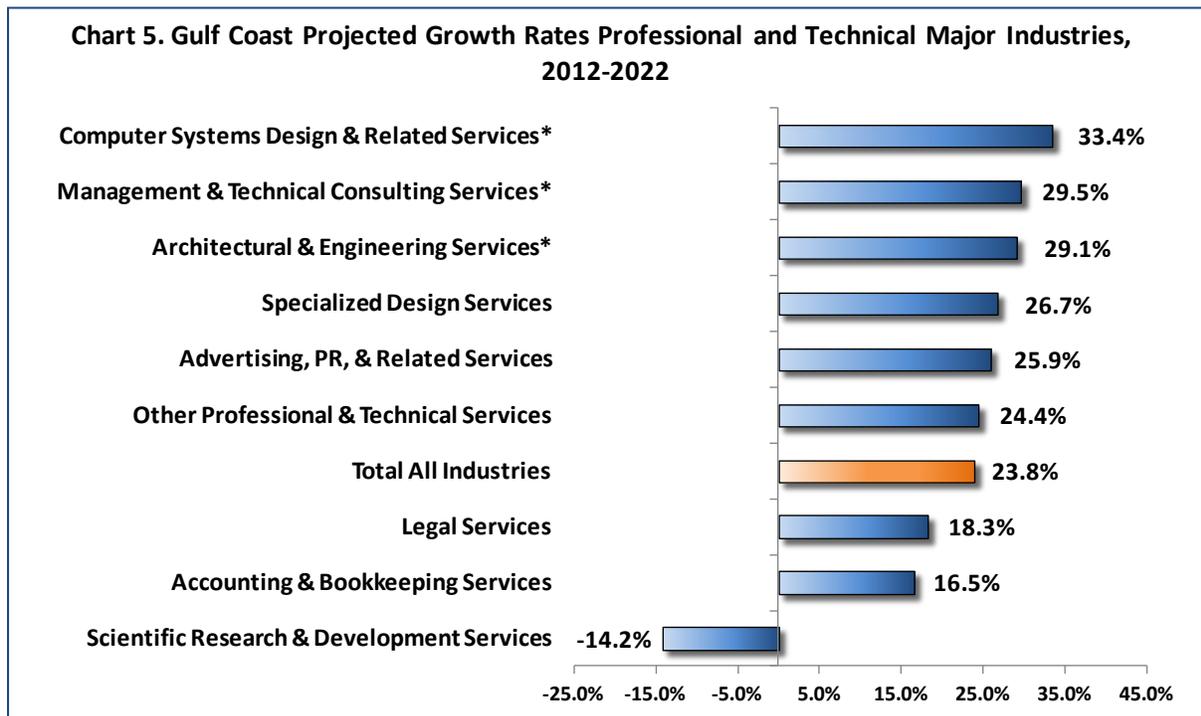
During the first two years from 2012 to 2013 and 2013 to 2014, this sector managed to grow 4.7 percent and 3.8 percent year over year, respectively, which was faster than minimum 2.3 percent needed. While data for the third and fourth quarters of 2015 are not yet available, the absolute number of Professional and Technical Services jobs as of the first half of 2015 was higher than the average for all of 2014 by only 1,488 or 0.7 percent. To compare, the first half of 2014 compared to the average of 2013 was higher by 5,086 jobs or 2.5 percent.

Put simply, job growth in the first half 2015 slowed compared to previous years and is likely to have continued to do so in the second half of the year. However, if the Gulf Coast manages to at least match the projected level of jobs for 2015 of 210,406, the region can still meet the projected target of 246,040 jobs by 2022. Note that this assumes a growth rate of 2.3 percent each year for the remaining five and a half years. At the same time, a protracted period of low oil prices continuing to adversely affect employment in the region may jeopardize the ability of Professional and Technical Services to reach this target. (See Chart 4.)



## Professional and Technical Services Major Industries - Employment Projections

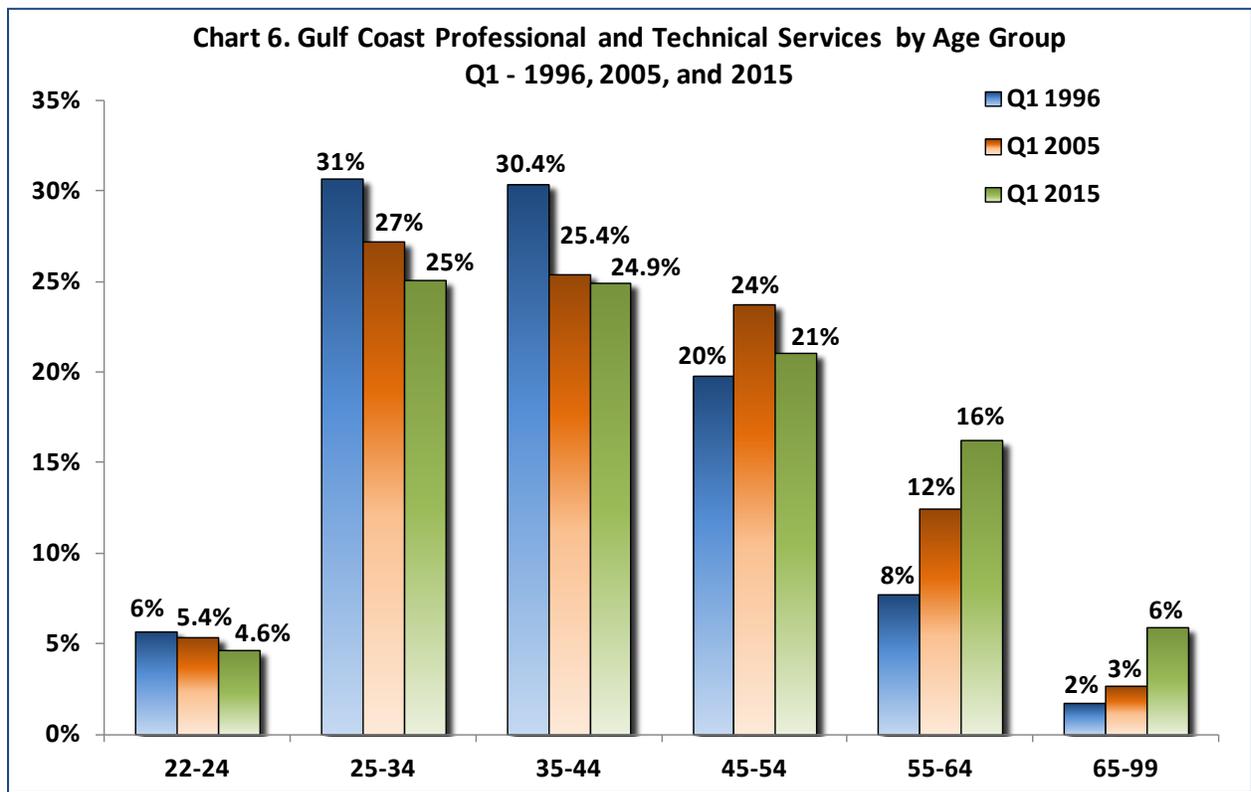
Among the nine major Professional and Technical Services Industries highlighted earlier, six are projected to grow faster than the average for all industries/occupations of 23.8 percent. Computer Systems Design and Related Services are projected to grow the fastest at 33.5 percent over the 10-year period. This is followed by Management and Technical Consulting Services (29.5 percent) and Architectural and Engineering Services (29.1 percent). Two industries, Legal Services (18.3 percent) and Accounting and Bookkeeping (16.5 percent) are projected to grow slower than average over this same period. Only Scientific Research and Development Services is expected to decline in absolute terms, contracting 14.2 percent by 2022. (See Chart 5.)



\*Denotes high-skill, high-growth industry targeted by the Gulf Coast Workforce Board

## Professional and Technical Services Demographic Trends – Workers by Age Group

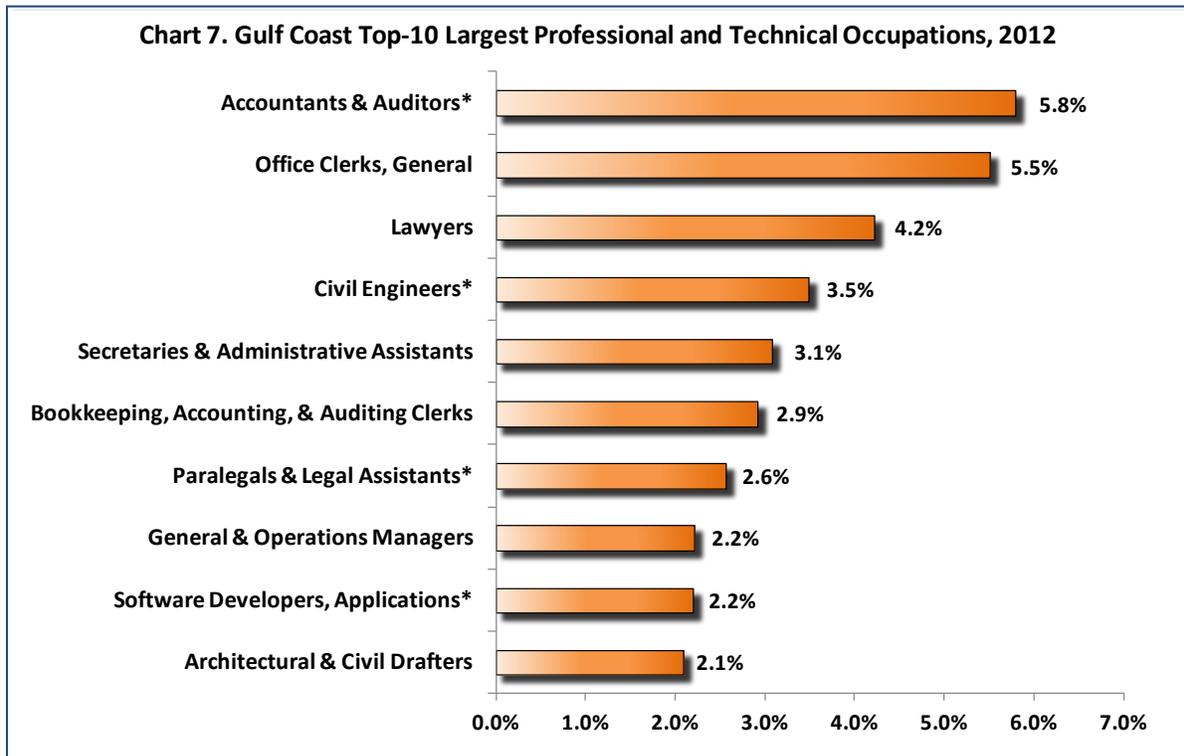
As is the case for nearly all of the Gulf Coast’s sectors, Professional and Technical Services demonstrated signs of an aging workforce as well. Five age groups\* from 14-18 to 35-44 saw their shares of the sector’s workers decline over the first quarters of 1996, 2005, and 2015. The 25-34 age group saw the largest percentage point decline at 5.6 followed by the 35-44 group (-5.5). The two remaining age groups, 55-64 and 65-99, saw their shares of workers increase over the 19-year period with the 55-64 group experiencing the largest share increase from 8 percent to 16 percent. In short, the share of workers in the 25-44 range fell from around 60 percent of the total in the first quarter of 1996 to 50 percent by first quarter of 2015 while the share of workers 55-99 grew from approximately 10 percent to 22 percent. (See Chart 6.)



\* Age groups 14-18 and 19-21 not shown.

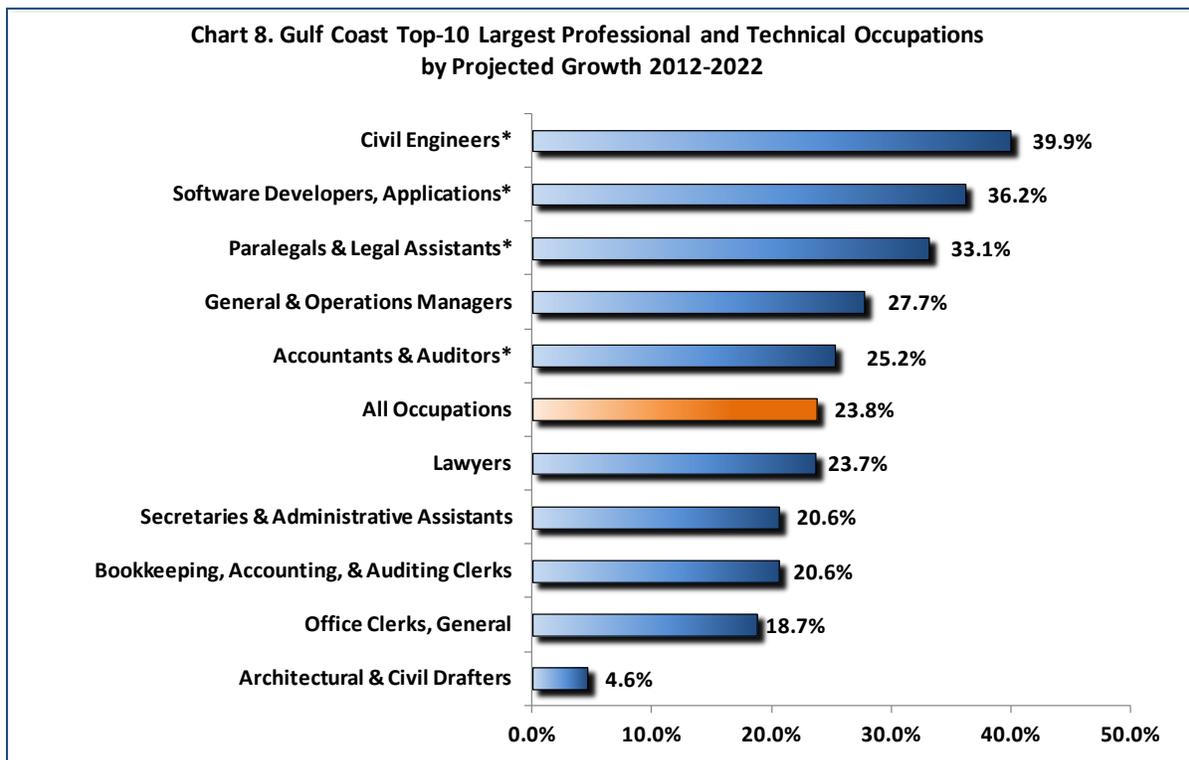
## Top-10 Largest Professional and Technical Services Occupations – Relative Size, Education, Projected Growth, and Wages

While roughly one-third of all Professional and Technical employment could be found among Architecture and Engineering firms, the largest occupations in this sector reflected a wider range of functions than just engineering. Accountants and Auditors proved to be the most common Professional and Technical occupation comprising 5.8 percent of employment. Overall, the top-10 largest occupations could be divided into those requiring extensive education, training, and experience (e.g. Lawyers, Accountants, Civil Engineers, Managers etc.) and those requiring comparatively less education, in many cases just a high school diploma and on-the-job-training (e.g. Office Clerks, Bookkeepers, Secretaries). Among the top 10, only Architectural and Civil Drafters and Paralegals and Legal Assistants could be considered “middle-skills” occupations given that they typically require an Associate’s degree however their projected growth rates were substantially different as will be seen below. (See Chart 7.)



\*Denotes high-skill, high-growth occupation targeted by the Gulf Coast Workforce Board

Among the top-10 largest Professional and Technical occupations, long-term projected growth generally reflected the educational attainment dynamics noted above. Overall, the occupations requiring relatively more education were projected to grow the fastest with Civil Engineers poised to increase by 39.9 percent between 2012 and 2022. Lawyers were the only occupation requiring a significantly higher than average level of education while posting a projected growth rate virtually identical to the average for all occupations. The three clerical occupations noted previously are predicted to have slower than average yet respectable growth rates of roughly 19 percent to 21 percent. Of the top-10 largest occupations only Architectural and Civil Drafters were projected to grow substantially slower than average at 4.6 percent compared to an overall average of 23.8 percent over the 10-year period. (See Chart 9.)



\*Denotes high-skill, high-growth occupation targeted by the Gulf Coast Workforce Board

Regarding wages among the top-10 largest Professional and Technical occupations, this dimension showed the strongest direct relationship to educational attainment of those examined thus far. As the only occupation of the group requiring a doctoral or professional degree, Lawyers had the highest average annual wage at \$162,057. The wage-education dynamic continued with the two occupations requiring Associate’s degrees (Architectural and Civil Drafters and Paralegals) both earning more than the average for all occupations at \$50,612 per year while the three clerical roles earned wages significantly below the average. (See Chart 9.)



\*Denotes high-skill, high-growth occupation targeted by the Gulf Coast Workforce Board

**Table 1. Top-50 Largest Professional and Technical Services Occupations – Employment Projections 2012-2022, Annual Wages 2014**

SOC	Occupational Title	Employment 2012	Projected Employment 2022	Projected Net Change 2012-2022	Projected Percent Change 2012-2022	Average Annual Wage 2014
-	All Professional and Technical Occupations	176,600	221,350	44,750	25.3%	-
13-2011	Accountants & Auditors*	10,220	12,800	2,580	25.2%	\$82,856
43-9061	Office Clerks, General	9,720	11,540	1,820	18.7%	\$34,122
23-1011	Lawyers	7,440	9,200	1,760	23.7%	\$162,057
17-2051	Civil Engineers*	6,160	8,620	2,460	39.9%	\$112,054
43-6014	Secretaries & Administrative Assistants	5,430	6,550	1,120	20.6%	\$34,028
43-3031	Bookkeeping, Accounting, & Auditing Clerks	5,140	6,200	1,060	20.6%	\$39,699
23-2011	Paralegals & Legal Assistants*	4,530	6,030	1,500	33.1%	\$57,950
11-1021	General & Operations Managers	3,900	4,980	1,080	27.7%	\$137,834
15-1132	Software Developers, Applications*	3,870	5,270	1,400	36.2%	\$98,043
17-3011	Architectural & Civil Drafters	3,690	3,860	170	4.6%	\$62,330
43-6012	Legal Secretaries	3,680	3,860	180	4.9%	\$50,237
15-1133	Software Developers, Systems Software*	3,590	4,830	1,240	34.5%	\$106,069
15-1121	Computer Systems Analysts*	3,550	4,680	1,130	31.8%	\$102,745
43-4051	Customer Service Representatives	3,460	4,380	920	26.6%	\$33,000
15-1151	Computer User Support Specialists	3,220	4,540	1,320	41.0%	\$57,448
51-9061	Inspectors, Testers, Sorters, Samplers	3,100	4,060	960	31.0%	\$42,181
13-1111	Management Analysts	2,960	3,810	850	28.7%	\$108,341
17-1011	Architects, Ex. Landscape & Naval	2,890	3,760	870	30.1%	\$85,101
43-1011	First-Line Supervisors of Office Workers	2,810	3,480	670	23.8%	\$59,012
43-4171	Receptionists & Information Clerks	2,540	2,730	190	7.5%	\$26,886
15-1131	Computer Programmers	2,370	2,790	420	17.7%	\$78,404
17-3031	Surveying & Mapping Technicians	2,310	3,010	700	30.3%	\$46,349
17-2141	Mechanical Engineers*	2,180	2,820	640	29.4%	\$106,532
15-1142	Network & Computer Systems Administrators*	2,100	2,660	560	26.7%	\$94,462
17-2071	Electrical Engineers*	2,020	2,600	580	28.7%	\$107,753
13-1161	Market Research Analysts & Marketing Specialists	1,800	2,690	890	49.4%	\$70,856
17-1022	Surveyors	1,680	2,000	320	19.0%	\$58,172
17-3023	Electrical & Electronics Engineering Technicians*	1,440	1,840	400	27.8%	\$64,896
43-3021	Billing & Posting Clerks	1,440	1,730	290	20.1%	\$37,981
11-3021	Computer & Information Systems Managers	1,350	1,740	390	28.9%	\$145,904
11-9041	Architectural & Engineering Managers	1,330	1,720	390	29.3%	\$180,672
17-3022	Civil Engineering Technicians	1,210	1,420	210	17.4%	\$48,919
13-2082	Tax Preparers	1,210	1,370	160	13.2%	\$42,739
17-2072	Electronics Engineers, Ex. Computer*	1,200	1,550	350	29.2%	\$99,867
15-1152	Computer Network Support Specialists	1,200	1,510	310	25.8%	\$72,503
29-1131	Veterinarians	1,200	1,370	170	14.2%	\$106,603
13-1071	Human Resources Specialists	1,160	1,360	200	17.2%	\$66,993
41-4011	Sales Representatives, Wholesale & Mfg, Technical	1,070	1,390	320	29.9%	\$95,613
19-2041	Environmental Scientists & Specialists, Inc. Health	1,070	1,360	290	27.1%	\$87,633
17-3029	Engineering Technicians, Ex. Drafters, All Other	1,070	1,250	180	16.8%	\$73,385
17-2171	Petroleum Engineers*	980	1,210	230	23.5%	\$168,282
53-7062	Laborers and Freight, Stock, and Material Movers	950	1,220	270	28.4%	\$27,689
27-1025	Interior Designers	930	1,200	270	29.0%	\$67,378
39-2021	Nonfarm Animal Caretakers	910	1,080	170	18.7%	\$19,884
27-1024	Graphic Designers	900	1,150	250	27.8%	\$44,887
17-3012	Electrical & Electronics Drafters	890	1,160	270	30.3%	\$81,821
23-2093	Title Examiners, Abstractors, & Searchers	880	1,070	190	21.6%	\$74,924
43-4071	File Clerks	860	880	20	2.3%	\$32,720
47-4011	Construction & Building Inspectors	840	1,100	260	31.0%	\$66,254
43-9021	Data Entry Keyers	840	680	-160	-19.0%	\$29,053

\*Denotes high-skill high-growth occupation currently targeted by the Gulf Coast Workforce Board