



Texas Workforce Commission

TEXAS
WORKFORCE SOLUTIONS

Austin Board Update

88th Texas Legislature

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TWC Joint Budget Hearing

The Legislative Budget Board (LBB), the Office of the Governor (OOG), House Appropriations committee staff, and Senate Finance committee staff, conducted a hearing September 23 on TWC's Legislative Appropriations Request (LAR).

Mr. Serna and Chris Nelson testified on behalf of TWC. Mr. Serna began by providing general information regarding the agency and the agency's LAR for FY 2026 – 2027. Mr. Serna provided a brief overview of the Texas economy noting that as of August 2024, Texas is now home to over 657,000 employers and the Texas labor force achieved a new record of nearly 15.4 million people. He also added that the unemployment rate for Texas is 4.1% which is below the national unemployment rate. Mr. Serna also provide an overview of the programs TWC administers focusing on Unemployment Insurance (UI), and the agency's efforts to combat UI fraud, the Vocational Rehabilitation Program, and the Child Care Program. For the VR program, Mr. Serna discussed the growth the agency has seen in the use of the program and how that is driving the agency's Exceptional Item Request for General Revenue funding to allow Texas to draw down the full federal VR grant funding. Mr. Serna then discussed the Child Care Program noting that it is the agency's largest program by budget, and how important of a program it is to help qualifying families utilizes these services so that parents can return to or maintain work. Mr. Serna then discussed the Child Care services waiting list noting that currently the statewide waitlist is approximately 90,000 children. Mr. Serna then noted that current estimates are that an additional \$1 million per year would serve an additional 106 children per day in FY 2026 and an additional 103 children per day in FY 2027. Next Mr. Nelson outlined each of TWC's Exceptional Item Requests and proposed rider revisions. Following their presentation, members of the panel, questioned Mr. Serna and Mr. Nelson about several items.

The first question came from Daniel Warner of the House Speaker's Office. He wanted to know if the legislature was able to provide significant funds to reduce the child care wait list, would there be a viable

provider network to absorb those new children. Mr. Serna replied that the availability of data related to child care provider capacity was a an issue because there are several factors that go into this including, the total licensed capacity of child care providers, their functional capacity, and the number of children per day the providers wish to serve which in some cases might be significantly lower than their licensed capacity. . He went on to mention that since TWC only serves 12% of the total number of children in childcare services in Texas and therefore it is difficult for TWC to have a clear view of open slots at all facilities. He continued that a provider may also have slots available but not inform TWC because they would like to fill them with clients they have on their own waiting list. Mr. Serna stated that the waiting list will functionally never completely go away. As we begin to fill slots on the list, new individuals will be prompted to request services.

Brady Franks with the Governor's office asked for a status update on the Older Individuals who are Blind (OIB) Program. Specifically, he wanted to know if the exceptional item for OIB would create continuing costs in future biennia. Mr. Serna replied that, while the exceptional item would generate more clients at the beginning, the continuing cost would grow slower in future biennia. Mr. Serna also noted that the OIB program differs from other programs at TWC and does not have a work requirement, which makes this program operate slightly different in terms of how clients cycle on and off the program and how successful interactions with customers are defined.

Jeb Bell from the LBB asked for more information on UI fraud. Mr. Serna replied that TWC was still fighting fraudulent actors in search of benefits. He mentioned that prior to the pandemic there was very little identity fraud. Fraud attempts spiked, however, during the pandemic with the massive funds coming from the federal government. While the administrative funds from federal sources have decreased significantly, those who would perpetrate fraud have not gone away. TWC continues to prevent fraudulent claims, with some fraudsters launching massive attacks on our UI system. TWC is still having to defend against several thousand fraudulent claims per month. Mr. Nelson added that each claim still has to be reviewed, and the ultimate determination of eligibility is made by an individual FTE, noting that the investments in anti-fraud capabilities is an added cost to the program, but cannot replace the staff costs that have always been present in the program. Mr. Serna closed this response by adding that TWC implements fraud prevention measures and then as the fraudsters identify ways around those methods, new ones must be developed and implemented.

Mr. Bell also asked if the additional UI data center mainframe requests were continuing the status quo or updates to improve the system. Mr. Serna replied that we have been attempting to overhaul the UI data system for several years. He further explained that TWC had received approval to upgrade the system and was in the middle of procuring a new system when the pandemic hit. He continued that the procurement was put on hold during the pandemic and then resumed in late 2021. After the program was resumed, Mr. Serna stated that he suspended the program last year, due to issues with the vendor, and just recently, discussion have begun to explore resuming the project. Mr. Serna concluded that due to this most recent pause in the upgrade of the system, the current requests are being made to extend the life of the mainframe system.

Following agency testimony, the LBB/OOG took public comments on TWC funding. Lana Coker was first to testify. She is an OIB/VR provider who has experienced difficulty working with Vocational Rehabilitation (VR) to provide a range of services to her clients. She said that there was a 130-person waitlist for OIB/VR services and that she has experienced great difficulty working with the VR program to provide necessary services. She noted that clients previously took one month to serve now take several months or even up to a year. Ms. Coker indicated that the impact on her clients was very significant. She finished her testimony by stating that problem was a lack of funding and encouraged the legislature to provide more funding to TWC for the VR program.

David Feigen, from Texans Care for Children, next testified regarding the need for increased funding for the subsidized child care program. Mr. Feigan started his remarks by thanking TWC for their efforts to

assist the child care industry and to stretch the federal child care funding to as many children as possible. He stated that child care is a major issue for Texas and that the legislature should invest more money into the Child Care program noting that the program works extremely well for the families that are able to access it while families who are not able to access it do not have as favorable outcomes.

Ashley Harris from the United Way of Texas testified that the legislature needed to fund more skills development programs as well as to provide participants in those programs with wrap-around services such as transportation. She said that the lack of transportation was a large problem for those looking for skills and a job. She stated that the state should use a holistic method to serve those seeking skills.

Jordan Wat, Director of Governmental Relations, Texas 2036, stated that TWC needed to be provided funding to modernize its data systems for workforce and child care services to support better data being available in these areas. She stated that TWC's current Unemployment Insurance systems do not capture data that is useful to employers and cited a TWC report that stated that upgrades the agency's UI system to capture such data would cost approximately \$1.2 million and encouraged the legislature to appropriate that to TWC along with the ongoing operation costs for those new systems.

Tyler Sheldon of the Texas State Employees Union testified about a survey they had taken involving 481 TWC employees. He said that 86% cited low pay as a reason for high employee turnover. He also said that 58% cited workload as a reason for possibly leaving the agency. Mr. Sheldon encouraged the legislature to consider appropriating funding to TWC to provide pay increases across the board to TWC employees to provide more incentive for employees to stay at the agency rather than needing to find other employment.

Mark Hoskins with Disability Rights Texas testified asking that the legislature provide additional funding to the VR program. Mr. Hoskins stated that Texas has returned \$123 million to the federal government each year for the past several years because TWC did not have enough funding to draw down the full federal VR funding allotment for Texas.

Next, Christopher McKenzie, a provider of Deaf/Hard of Hearing services stated that last year he had about 100 clients who needed services and that most if not all of his clients were put on a waiting list for services from TWC last year due to a lack of funding and then were placed again on the waitlist when the new budget year began. He stated his support for increasing funding to TWC for the VR program, specifically his clients and others like them across the state.

Teresa Dell, a provider, also testified to the lack of services for the deaf and the need for direct and wrap-around services.

Several students/individuals testified to their personal problems obtaining services for the deaf. They cited a lack of hearing aids, interpreters, and cochlear implants. All of them had experienced significant difficulties due to a lack of VR funding. One person cited a lack of funds for VR counselors. She also said that the TWC website was very difficult for those with hearing loss to use. She suggested the inclusion of American Sign Language on the agency website, especially on the pages related to Unemployment Insurance.

Finally, Ann Bishop, of the Texas Public Employees Association, testified in favor of pay increases at TWC and all agencies in order to lower staff turnover.