



TENTATIVE AGENDA

10:00 a.m. Tuesday, February 6, 2007

H-GAC Conference Room A

3555 Timmons Lane, Second Floor, Houston, Texas 77027

1. Call to Order and Determination of Quorum

2. Adoption of Agenda

3. Public Comments

4. Minutes from December, 2006 meeting

5. Declarations of Conflict of Interest

6. Chairman's and Committee Reports

- a. Audit & Monitoring
- b. Education
- c. Early Education & Care

7. Action

- a. Consider recommendation from Early Education & Care Committee to increase maximum reimbursement rates for child care providers by 3%
- b. Consider recommendation from Early Education & Care Committee to change increase child care financial aid for customers in training
- c. Consider recommendation from Budget Committee to approve 2007 annual budget of \$205.7 million
- d. Consider renewing contract for marketing/communications with a first-year contract to Gilbreath Communications not to exceed \$700,000
- e. Consider recommendations from Nominations Committee for 2007 Board officers

8. Information

- a. System Performance
- b. Expenditure Report
- c. Best Practices

9. Labor Market Report

10. Adjourn

The Gulf Coast workforce system helps employers solve their workforce problems and residents build careers so both can compete in the global economy.

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**MINUTES OF
THE GULF COAST WORKFORCE DEVELOPMENT BOARD
TUESDAY, DECEMBER 5, 2006**

MEMBERS PRESENT:

Gerald Andrews	Todd Armstrong	Ron Bourbeau
Carl Bowles	Pat Charnveja	Thelma Elizalde
Sal Esparza	Rudy Espinosa	Yvonne Estrada
Joe Garcia	Mark Guthrie	John Hebert
Bobbie Henderson	Tracie Holub	Elsie Huang
Guy Robert Jackson	Birgit Kamps	Jeff Labroski
Ray Laughter	Steve Lufburrow	Carolyn Maxie
Raymond McNeel	Michael Nguyen	Don Nigbor
Linda O'Black	Gail Parker	John Perry
Dale Pinson	Janice Ruley	Pam Sanders
Gloria Sanderson	Richard Shaw	Kathy Shingleton
Tom Stinson	Frank Thompson	Evelyn Timmins

H-GAC STAFF MEMBERS PRESENT

Rodney Bradshaw
Mike Temple
David Baggerly
Joel Wagher

Mr. Frank Thompson, Chair, called the meeting to order at approximately 10:00 a.m., on Tuesday, December 5, 2006, in the 2nd floor, H-GAC Conference Room A, at 3555 Timmons Lane, Houston, Texas. Mr. Thompson determined that a quorum was present.

ADOPTION OF AGENDA

Mr. Thompson asked for an adoption of the agenda as presented. A motion was made and seconded to adopt the agenda. The motion carried.

PUBLIC COMMENT

Mr. Jorge Ferragut, representing Instituto De Computation ABCS and as one of the Hispanic leaders has called the attention for the awareness of the Hispanic dilemma (who are not fluent in English). Mr. Ferragut felt that clients from the career offices were not being referred to his organization for training purposes.

MINUTES FROM OCTOBER 3, 2006

Mr. Thompson asked if there were any additions or corrections to the minutes for October 3, 2006. A motion was made and seconded to approve the minutes as presented. The motion carried.

DECLARATION OF CONFLICT OF INTEREST

No one declared a conflict of interest.

CHAIRMAN'S REPORT

Mr. Thompson explained that several Board members attended the Texas Workforce Conference in Grapevine, Texas. Mark Guthrie, Jeff Labroski, Richard Shaw and Ray Laughter reported on the keynote speakers, exhibitors and programs/sessions.

Mr. Thompson reminded Board members that all members are required to have completed the Open Meetings Certification training by January 1, 2007.

Employer Services

Mr. Gerald Andrews stated that the Employer Services Committee met prior to the Board meeting and discussed several topics.

Update on Employer Service Metrics – Saurage Marketing Research developed a survey tool to help us measure if our priority employer customers are happy with the services provided by our business consultants. It will be one of three measures used to rate the performance of each business consultant.

Industry Updates - We are currently providing employer services to the Health Services, Construction, Energy and Hospitality Industries. We are currently working with Houston Business Round Table and the Associated Builders Contractors to market, recruit and train candidates for construction careers.

We have begun a project with area hotels by developing relationships with the larger hotel chains and the local hotel association.

Strategic Planning

Mr. Carl Bowles stated that the Strategic Planning Committee met on November 6, 2006 to review the Workforce Board Strategic Plan, the strategic measures and Board-level measures and targets. Mr. Bob McPherson led the review and the committee agreed the strategic plan document was solid, however, members recommended making some changes to the Board-level measures and targets.

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- Baseline and targets originally calculated in 1996 dollars will be adjusted to reflect data in 2000 dollars
- Eliminate one measure
 - *Percentage of The WorkSource heavy-use customers who have increases in revenue per employee of at least 10%*
- Adjust targets for several measures to reflect more gradual than expected increases
 - *Percentage of the region's employers who use The WorkSource*
 - *Percentage of the region's employers using The WorkSource as repeat customers*
- Create two new sub-measures that look at market penetration and customer loyalty for our targeted employers
- Calculate a rolling average for several measures
 - *Percentage of resident customers pursuing an education credential who earn one*
 - *Number of net new jobs created*
 - Number of new jobs created as a direct result of The WorkSource's partnering with other business organizations
- Include the region's unemployment rate when reporting actual performance on *Percentage of the region's population employed*
- Adjust reported customer earnings gains for inflation, and calculate the percentage of resident customers with earning gains of at least 20% after leaving The WorkSource

For the next meeting, the committee asked staff to draft a written analysis of the Board's strategic performance. The committee will present this analysis annually to the Board.

The next meeting will be January 8, 2007 at 1:30 p.m. in Conference Room C.

Education

Mr. Don Nigbor explained that the Gulf Coast Workforce Board Education Committee held its first meeting on October 24, 2006. The Committee members began their meeting by discussing a brief "white paper" about the importance of education to the Board.

The Committee discussed some specific issues of concern:

- Labor market issues in education – supply and demand for teachers generally, and for specific type of teachers such as math, science and bilingual teachers.
- Low high school graduation rates
- The confluence of changing demographics and disparities in educational achievement
- The aging of our region's skilled workforce
- Educational structural issues
- Complexity of the region's education system and the inflexible infrastructure

Ms. Debbie Smalley, of energySOS.org shared information about the TerraWat Challenge project and the committee also considered the One Laptop per Child project as an interesting educational initiative.

The committee also identified several items that merit more attention, and asked staff to draft a plan of action. Items for the action plan include:

- Collect information on best practices in educational initiatives and reform
- Identify soft and hard skills businesses seek in young people
- Gather statistical data on the Gulf Coast educational system
- Develop a report card for our public education system
- Explore forming an education industry steering committee

The next meeting will be December 14, 2006 at 1:30 p.m. in Conference Room B.

Early Education & Care

Dr. Bobbie Henderson stated that the committee met on November 16, 2006 to discuss quality improvement activities, a provider ratings system, and an initiative to study effects of quality early education to increase reading and math literacy from kindergarten to grade 3 and increase provider rates. Some highlights are:

Quality Improvement Activities

The WorkSource provides funding for child care quality initiatives which include supporting the Texas Early Education Model (TEEM). TEEM's goal is to increase learning and school readiness for four year olds. Other Quality initiatives include providing services to parents of children with disabilities, working with child care providers to increase resources and improve the quality of early care and education.

Provider Ratings System

Staff discussed the committee's interest in implementing a system-wide rating system for providers. The rating system would provide information to parents concerning a provider's overall quality rating when compared to other child care providers in the system.

Initiative to Study Effects of Quality Early Education: Creating a College Bound Culture

Staff discussed an initiative to partner with the City of Houston and the Houston Independent School District through The WorkSource's contractor – Collaborative for Children. The goal is to engage multiple community partners by investing in a comprehensive early education initiative that will include best practices and results in school readiness by kindergarten and reading and math literacy by grade three.

Marketing The WorkSource Financial Aid for Child Care

Staff discussed that The WorkSource does not have a waiting list for child care financial aid. The elimination of the wait list appears to be related to the system design which allows residents to get financial aid through a local career office. Staff have been working with our marketing contractor to develop appropriate PR pieces that will result in increased request for aid, but not lead to a wait list.

Increasing Provider Rates

Provider maximum rates for child care reimbursement have not been increased in over 5 years while costs for provider child care is rising. Staff are completing research to determine if provider rates may be increased.

ACTION

a. Consider recommendation for Employer Service Committee on work search requirements for unemployment compensation recipients

Mr. Gerald Andrews explained that to receive unemployment insurance payments in Texas, an individual must be ready, willing and able to work and actively seeking full-time employment. The Workforce Commission requires claimants to keep records of their work search activities and periodically the State of Texas staff audits the records.

The Commission has also allowed Workforce Boards to adjust the required number of weekly job search contacts claimants must make to demonstrate they are actively seeking full-time employment. The state minimum requirement is three contacts per week. Staff recommends that the Employer Services Committee keep the required number of weekly contacts at three, primarily because increasing work search requirements burdens employers. There is also little evidence that requiring claimants to make more contacts leads to faster employment.

A motion was made and seconded to require that unemployment insurance claimants make at least three job contacts per week to support their work search efforts. The motion carried.

INFORMATION

System Performance

Mr. David Baggerly reviewed the System Performance measures for October 2005 – September 2006 – Year End Report. The numbers show we did a good job overall and while staff continues to track federal and state measures, the focus of the system is to meet and exceed these overarching measures.

More Competitive Employers –

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For the Regional Workforce System - Regional gross product was restated in 2000 dollars. Most recent data is for 2003.

For The WorkSource – We are showing improvement in performance for Employers Receiving Services and Employer Loyalty.

More and Better Jobs –

For the Regional Workforce System – 2006 data shows more new jobs than predicated. The percent of the region's population employed was as predicted.

For the WorkSource – New jobs created exceeded the target. Performance on customers employed after exit also exceeded the target.

Higher Real Incomes –

For the Regional Workforce System –Regional per capita income was restated in 2000 dollars. Most recent data is for 2003

For the WorkSource – While the percent of exiters with earnings gains greater than 10% is not meeting performance, we show a strong improvement over last year's performance.

A Better Educated and Skilled Workforce –

For the Regional Workforce System – 2006 information is not available. 2005 data shows slightly lower percentage of the population with an educational credential or post-secondary degree than we predicated. We are working to determine the percent of the population pursuing an educational credential that achieve one.

For the WorkSource –Percent of customers who achieve a credential shows lower performance than planned. We will research why this decline occurred and take steps to improve performance on this measure.

Mr. David Baggerly reviewed the System Performance measures for October 2006 and stated that for the new contract year we were doing well.

More Competitive Employers –

For the Regional Workforce System - Regional gross product was restated in 2000 dollars. Most recent data is for 2003.

For The WorkSource – We are showing improvement in performance for Employers Receiving Services and Employer Loyalty.

More and Better Jobs –

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For the Regional Workforce System – No data available for the new performance year. 2006 data shows more new jobs than predicated. The percent of the region's population employed was as predicted.

For the WorkSource – No new jobs created data available. Performance on customers employed after exit is slightly below target.

Higher Real Incomes –

For the Regional Workforce System –No data available for the new performance years. Most recent data is for 2003.

For the WorkSource – The percent of exiters with earnings gains greater than 10% is at the performance target.

A Better Educated and Skilled Workforce –

For the Regional Workforce System – 2007 information is not available. 2005 data shows slightly lower percentage of the population with an educational credential or post-secondary degree than we predicated. We are working to determine the percent of the population pursuing an educational credential that achieve one.

For the WorkSource – We do not expect measurable performance in this measure for the first month of the performance year. Not many customers attain education credentials in October.

Expenditure Report

Mr. Rodney Bradshaw reviewed the Financial Status Report for ten months ending October 31, 2006. Mr. Bradshaw explained that everything was on target and expenditures looked good.

Where Does the Money Go?

Mr. Mike Temple explained the source of our revenue, the various dollar amounts we receive, what services we purchase and which contactors receive it.

Workforce Investment Act (state entitlement allocations)	\$40 million	<ul style="list-style-type: none">▪ Employer Service Division operations▪ Current worker training for employers▪ Career office operations▪ Financial aid to residents▪ Research and demonstration projects	Arbor, Houston Works, Interfaith, SER, Employment and Training Centers, NCI, SEARCH
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Workforce Investment Act Personal Re-employment Accounts Demonstration	\$1.5 million	<ul style="list-style-type: none"> ▪ Career office operations and financial aid to residents 	Interfaith and NCI
Workforce Investment Act First Generation College Students Demonstration	\$200,000	<ul style="list-style-type: none"> ▪ Financial aid ▪ Career office service, including counseling 	Interfaith and NCI
Workforce Investment Act National Emergency Grant	\$22 million	<ul style="list-style-type: none"> ▪ Career office operations, direct services and financial aid for hurricane evacuees 	Arbor, Houston Works, Interfaith, SER, NCI, ACE Vocational Schools, Alliance for Multicultural Community Services, Career and Recovery, Chinese Community Center, City of Houston, Communities in Schools, Families Under Urban and Social Attack, Harris County Social Services, Houston Area Urban League, Houston Community College
Workforce Investment Act Disability Navigator Demonstration	\$109,000	<ul style="list-style-type: none"> ▪ Career office operations 	SER

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Workforce Investment Act National Emergency Grant	\$22 million	<ul style="list-style-type: none"> ▪ Career office operations, direct services and financial aid for hurricane evacuees 	Arbor, Houston Works, Interfaith, SER, NCI, ACE Vocational Schools, Alliance for Multicultural Community Services, Career and Recovery, Chinese Community Center, City of Houston, Communities in Schools, Families Under Urban and Social Attack, Harris County Social Services, Houston Area Urban League, Houston Community College
Workforce Investment Act National Emergency Grant Re-integration Counselors	\$1.5 million	<ul style="list-style-type: none"> ▪ Direct service to hurricane evacuees 	Houston Area Urban League, Alliance for Multicultural Services, Career and Recovery Resources, City of Houston Health & Human Services Department
Workforce Investment Act (federal direct grants) <ul style="list-style-type: none"> ▪ President's High Growth Skills Initiative ▪ Youth Opportunity Grant 	\$1 million	<ul style="list-style-type: none"> ▪ Current and new worker training for employers in aerospace industry ▪ Career office operations 	San Jacinto College Houston Works
Wagner-Peyser	\$7.2 million	<ul style="list-style-type: none"> ▪ Employer Service Division operations ▪ Career office operations 	Employment and Training Centers, Arbor, Houston Works, Interfaith, SER
Veterans Employment and Training Service	\$300,000	<ul style="list-style-type: none"> ▪ Career office operations 	Arbor, Houston Works, Interfaith, SER
Trade Act	\$339,000	<ul style="list-style-type: none"> ▪ Financial aid to residents 	NCI

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Project RIO	\$848,000	<ul style="list-style-type: none"> ▪ Career office operations ▪ Employer Service Division operations ▪ Financial aid to residents 	Arbor, Houston Works, Interfaith, SER, Employment and Training Centers, NCI, SEARCH
Temporary Assistance to Needy Families	\$17 million	<ul style="list-style-type: none"> ▪ Career office operations ▪ Employer Service Division operations ▪ Financial aid to residents 	Arbor, Houston Works, Interfaith, SER, Employment and Training Centers, NCI, SEARCH
Temporary Assistance to Needy Families – Non-Custodial Parent Project	\$250,000	<ul style="list-style-type: none"> ▪ Career office operations and financial aid for residents 	Interfaith and NCI
Temporary Assistance to Needy Families – Project Hope Parolee Project	\$250,000	<ul style="list-style-type: none"> ▪ Career office operations and financial aid for residents 	Houston Works and NCI
Food Stamp Employment & Training	\$2.8 million	<ul style="list-style-type: none"> ▪ Career office operations ▪ Employer Service Division operations ▪ Financial aid to residents 	Arbor, Houston Works, Interfaith, SER, Employment and Training Centers, NCI, SEARCH
TX DOT Transportation Services	\$1.7 million	<ul style="list-style-type: none"> ▪ Financial aid to residents 	NCI
Child Care and Development Block Grant	\$115 million	<ul style="list-style-type: none"> ▪ Financial aid to residents ▪ Career office operations ▪ Early education quality efforts 	Arbor, Houston Works, Interfaith, SER, NCI, Collaborative for Children
H1-B High Skill High Growth Training/Hurricane Projects	\$1.5 million	<ul style="list-style-type: none"> ▪ Financial aid/skills training for hurricane evacuees ▪ Direct placement service for evacuees 	Houston Community College, Houston Works, NCI, North Harris Montgomery Community College (Cy Fair College), Pinnacle Career Center, San Jacinto Community College
H1-B Healthcare Industry	\$2.6 million	<ul style="list-style-type: none"> ▪ Current and new worker training for employers in healthcare industry 	UTMB

Occupation cards were passed out to the Board members. Mr. Temple explained that the Board determined a list of high-skill, high-demand occupations that will provide opportunities into the future for our region. The cards are a marketing tool that takes the occupations and provides a fair amount of information in a convenient and easy-to-use manner. The cards will be passed out throughout the system, including libraries and schools.

LABOR MARKET REPORT

Mr. Joel Wagher explained Gulf Coast's region's over-the-year job growth for October was 3.1 percent or 72,700 jobs. This is the first time since March that the rate has been this high. Lower prices for utilities and gasoline helped to bring the growth rate back to the level it was in the first quarter of 2006. Mr. Wagher stated that there are some signs of a tight labor market, but the area's job growth outperforms the nation and Texas. Professional & Business Services and Construction were the two largest job producers over the year adding 20,000 and 13,200 jobs respectively.

ADJOURN

There was no further business to come before the Board, the meeting was adjourned.

Audit/Monitoring Committee

Management Report Thru January, 2007

Contractors Monitored	Year to Date Visits	Follow-ups	Year to Date Follow-ups
5	27	0	0

Key Findings

- **Resident Service.** We reviewed child care financial aid eligibility at SER and Arbor offices and questioned only a few customers. We have asked the contractors to establish a process to regularly check customer continuing eligibility for child care and other financial aid.

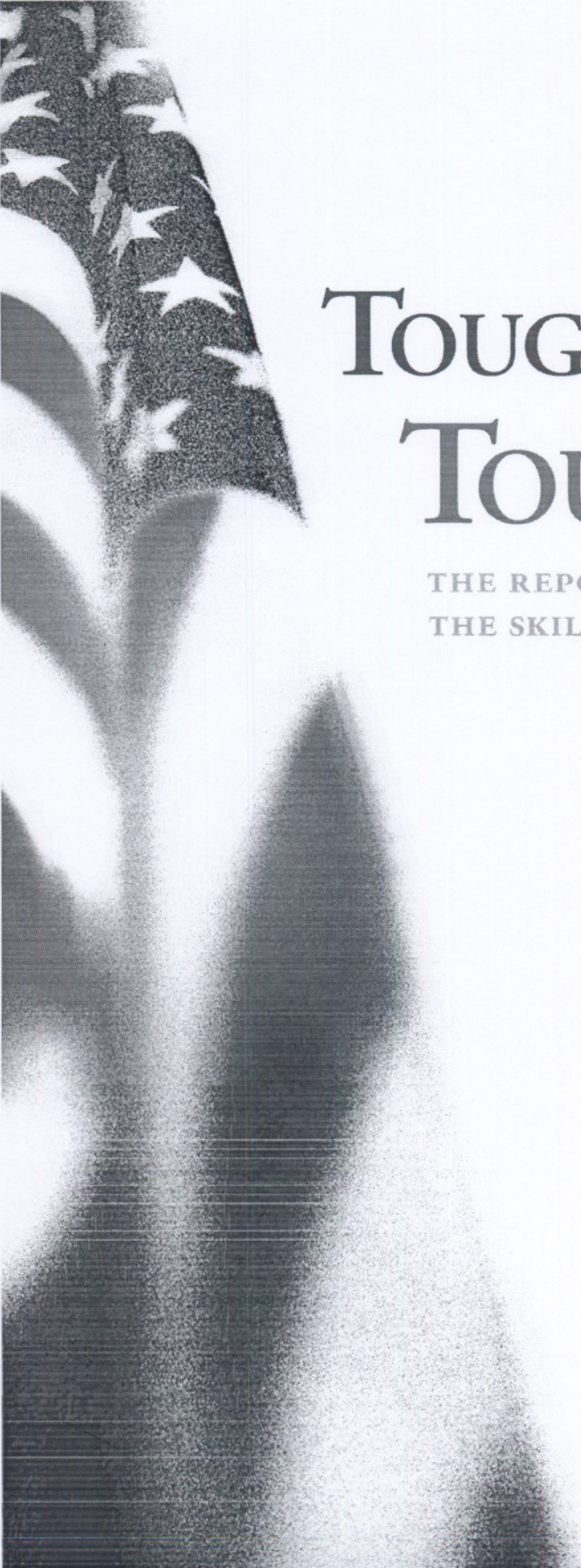
- **Employer Service.** We reviewed policy and process at the Employer Service central office and interviewed managers and staff in the field. We conducted this review as a trial run to point out weaknesses in Employment and Training Centers, Inc.'s operations. Later this year we will conduct two additional reviews to make sure weaknesses have been corrected.

- **Other.** We conducted 20 Equal Opportunity/Disability and Accommodation seminars for both the Resident Service and Employer Service staff to satisfy a requirement from the US Department of Labor. We trained over 700 staff.

- **State Annual Review.** We received the report from the Texas Workforce Commission's July, 2006 visit. We had several findings for career office contractors, including missing Individual Service Strategies and lack of follow-up for youth customers, untimely penalties for food stamp recipients who were not participating as required, and missing required paperwork for ex-offenders and lack of evidence of coordination with Texas Department of Criminal Justice and Texas Youth Commission. We had already identified the same issues through our monitoring and had asked the contractors to make corrections. We have assured the Workforce Commission that our contractors have made changes to their processes so these errors with not be repeated.

Additionally, our monitoring function was re-certified. This means the Workforce Commission trusts our monitoring to identify and correct weaknesses in our system. The Commission's monitors work in our area should decrease in subsequent reviews.

EXECUTIVE SUMMARY



TOUGH CHOICES TOUGH TIMES

THE REPORT OF THE *new* COMMISSION ON
THE SKILLS OF THE AMERICAN WORKFORCE

NATIONAL CENTER
ON EDUCATION
AND THE ECONOMY

WHERE TO GET COPIES OF THE FULL REPORT

This report, in book form, was published by Jossey-Bass, a Wiley Imprint, www.josseybass.com and is available through bookstores, Amazon.com, other internet book retailers and on the Commission's Web site. Other materials relating to the report, including various research reports done by the staff and others to support the work of the Commission can be accessed through the Commission's Web site at www.skillscommission.org

IN PRAISE OF *Tough Choices or Tough Times*

"While *Tough Choices or Tough Times* does a tremendous job in identifying and articulating the challenges we face, what truly sets it apart is the specific and highly innovative policy prescriptions it advocates to reverse the "education deficit." I encourage every policymaker, at every level, to read this compelling and comprehensive report." —WILLIAM E. KIRWAN, CHANCELLOR, UNIVERSITY SYSTEM OF MARYLAND

"*Tough Choices or Tough Times* is must reading for policymakers, educators, businesspeople, and citizens who want America to be prosperous and competitive in the 21st century. The report pulls no punches about the economic threats facing our country. The Commission advances thought-provoking recommendations that should stimulate debate and then galvanize every sector of society to muster the will to ensure that America's workforce is the best educated and prepared in the world." —HUGH PRICE, SENIOR FELLOW, BROOKINGS INSTITUTION, AND FORMER PRESIDENT, NATIONAL URBAN LEAGUE

"*Tough Choices or Tough Times* provides a bold and specific road map for transforming all levels of education—preschool through postsecondary education—to meet the challenges of a rapidly changing global economy. It calls for massive fundamental change in education structure, curriculum, teacher compensation, and assessment, as well as in the roles of virtually all our education institutions." —MIKE KIRST, PROFESSOR OF EDUCATION EMERITUS, STANFORD UNIVERSITY

"The steps proposed in *Tough Choices or Tough Times* will move us dramatically forward, fostering a 21st century skills development pipeline that meets the needs of working adults, and enables them to engage in the lifelong learning necessary to meet the changing demands of the workplace." —MARLENE SELTZER, PRESIDENT AND CEO, JOBS FOR THE FUTURE

"The Commission provides a 21st century formula for workforce development: think regional, eliminate structures that no longer serve our needs, and create universal access to quality education and training." —JOSEPH CARBONE, PRESIDENT AND CEO, THE WORKPLACE, INC., SOUTHWESTERN CONNECTICUT'S WORKFORCE DEVELOPMENT BOARD

"Efforts at bringing together the three integral components of a successful workforce investment system—education, training, and economic development—have been haphazard at best. The recommendation to encourage the creation of high level jobs/skills/economic growth authorities with the ability to issue tax exempt bonds holds real promise for the development of a rational, sustainable, and politically supportable system." —MARION PINES, DIRECTOR, SAR LEVITAN CENTER, JOHNS HOPKINS UNIVERSITY

"Anyone who hopes to hold a job in the next several decades should read—if not memorize—this extraordinary report. Hopefully the report will motivate our nation's leaders to promptly take the steps needed to assure that our nation's citizenry can enjoy a decent quality of life in the years ahead." —
NORMAN R. AUGUSTINE, RETIRED CHAIRMAN AND CEO, LOCKHEED MARTIN CORPORATION,
AND CHAIRMAN, THE NATIONAL ACADEMIES' COMMITTEE ON PROSPERING IN THE GLOBAL
ECONOMY OF THE 21ST CENTURY

"*Tough Choices or Tough Times* is an exciting vision of a reformed and revitalized American education system. It has many important ideas that should generate considerable debate and are worthy of serious consideration." —SUSAN FUHRMAN, PRESIDENT, TEACHERS COLLEGE, COLUMBIA UNIVERSITY

"*Tough Choices or Tough Times* calls into question whether we are willing to invest in the future of America's workforce." —BOB GILOTH, DIRECTOR, FAMILY ECONOMIC SUCCESS, ANNIE E. CASEY FOUNDATION

"This penetrating, scary analysis and astute, far-reaching recommendations amount to *A Nation at Risk* for the next generation, a brave, clear call for top-to-bottom reforms in U.S. education. While overturning plenty of creaky applecarts, *Tough Choices* sketches a bold and efficient new vehicle for equipping 21st century Americans with the skills and knowledge they will need—and that the nation needs."
—CHESTER E. FINN JR., SENIOR FELLOW, HOOVER INSTITUTION, STANFORD UNIVERSITY,
AND PRESIDENT, THOMAS B. FORDHAM FOUNDATION

"The Commission's report joins a chorus of voices warning us of the looming consequences facing our nation because of the poor level of preparation of students and members of the workforce. What is different is that this report recommends bold steps for action. To do any less will result only in more half-measures that over time have had too little effect and have left us vulnerable as we face growing competition in a changed world economy." —G. WAYNE CLOUGH, PRESIDENT, GEORGIA TECH,
AND VICE CHAIRMAN, U.S. COUNCIL ON COMPETITIVENESS

"This is a remarkably bold and refreshing report. It is time for us to stop tinkering at the edges of the educational enterprise. What I find most appealing about the Commission's recommendations is that it represents a total overhaul of how we do the business of education. The Commission is telling us that we need to stop rearranging the deck chairs on the Titanic, reinvest the resources we have, and turn the ship in a new direction." —JAMES W. PELLEGRINO, DISTINGUISHED PROFESSOR OF COGNITIVE
PSYCHOLOGY AND EDUCATION, UNIVERSITY OF ILLINOIS AT CHICAGO

"The current public education system at the K-12 level is broken. Can it be fixed? This report says no, it has to be replaced. This is more than a wake-up call. It is a call to arms. The reasons to be alarmed are clearly and persuasively documented. Out-of-the-box, stretch recommendations are offered." —ALBERT
J. SIMONE, PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

EXECUTIVE SUMMARY

When the report of the first Commission on the Skills of the American Workforce, *America's Choice: high skills or low wages!*, was released in 1990, the globalization of the world's economy was just getting underway. That Commission understood the threat in the straightforward terms captured in the report's subtitle. A worldwide market was developing in low-skill labor, it said, and the work requiring low-skills would go to those countries where the price of low-skill labor was the lowest. If the United States wanted to continue to compete in that market, it could look forward to a continued decline in wages and very long working hours. Alternatively, it could abandon low-skill work and concentrate on competing in the worldwide market for high-value-added products and services. To do that, it would have to adopt internationally benchmarked standards for educating its students and its workers, because only countries with highly skilled workforces could successfully compete in that market.

A swiftly rising number of American workers at every skill level are in direct competition with workers in every corner of the globe.

★ ★ ★ ★

If someone can figure out the algorithm for a routine job, chances are that it is economic to automate it. Many good well-paying, middle-class jobs involve routine work of this kind and are rapidly being automated.

The first Commission never dreamed that we would end up competing with countries that could offer large numbers of highly educated workers willing to work for low wages. But China and India are doing exactly that. Indeed, it turns out that China and India are only the tip of the iceberg. Whereas for most of the 20th century the United States could take pride in having the best-educated workforce in the world, that is no longer true. Over the past 30 years, one country after another has surpassed us in the proportion of their entering workforce with the equivalent of a high school diploma, and many more are on the verge of doing so. Thirty years ago, the United States could lay claim to having 30 percent of the world's population of college students. Today that proportion has fallen to 14 percent and is continuing to fall.

While our international counterparts are increasingly getting more education, their young people are getting a better education as well. American students and young adults place anywhere from the middle to the bottom of the pack in all three continuing comparative studies of achievement in mathematics, science, and general literacy in the advanced industrial nations.

While our relative position in the world's education league tables has continued its long slow decline, the structure of the global economy has continued to evolve. Every day, more and more of the work that people do ends up in a digitized form. From X-rays used for medical diagnostic purposes, to songs, movies, architectural drawings, technical papers, and novels, that work is saved on a hard disk and transmitted instantly over the Internet to someone near or far who makes use of it in an endless variety of ways. Because this is

so, employers everywhere have access to a worldwide workforce composed of people who do not have to move to participate in work teams that are truly global. Because this is so, a swiftly rising number of American workers at every skill level are in direct competition with workers in every corner of the globe. So it matters very much that, increasingly, it is easier and easier for employers everywhere to get workers who are better skilled at lower cost than American workers.

Another important trend in the global economy bears on this point. A century ago, the United States led the world in the process of vertical integration, where corporations performed every function necessary to get their products to market, from the mining of the raw materials right through to the sale of those products through retail outlets to the final customer. Today, the United States is once again a leader, this time in the deconstruction of the vertically integrated firm. Corporate analysts identify each step in the process and ask whether the firm is a leader in that step, and, if not, who in the world can do that work at the needed level of quality at the lowest possible cost. The firm then contracts with the best providers of each of those services and keeps only those functions that it can do best. This is outsourcing. Firms that do not do this will inevitably be put out of business by firms that do. In this way, many functions that have always been performed by American workers in American firms will be outsourced to workers in other countries who do them better and cheaper.

In many cases, the work will be done not by people in other countries, but rather by machines. With the rapid advance of new

technologies, it is becoming progressively less expensive to automate functions that used to be performed by people. As the cost of labor rises and the cost of automating jobs continues to fall, it becomes both possible and necessary for firms simply to eliminate job after job now being done by humans. Earlier, almost all the jobs subject to automation were low-skill jobs. That is no longer true. Now it is more accurate to say that the jobs that are most vulnerable are the jobs involving routine work. If someone can figure out the algorithm for a routine job, chances are that it is economical to automate it. Many good, well-paying, middle-class jobs involve routine work of this kind and are rapidly being automated.

In this environment, it makes sense to ask how American workers can possibly maintain, to say nothing of improve, their current standard of living. Today, Indian engineers make \$7,500 a year against \$45,000 for an American engineer with the same qualifications. If we succeed in matching the very high levels of mastery of mathematics and science of these Indian engineers — an enormous challenge for this country — why would the world's employers pay us more than they have to pay the Indians to do their work? They would be willing to do that only if we could offer something that the Chinese and Indians, and others, cannot.

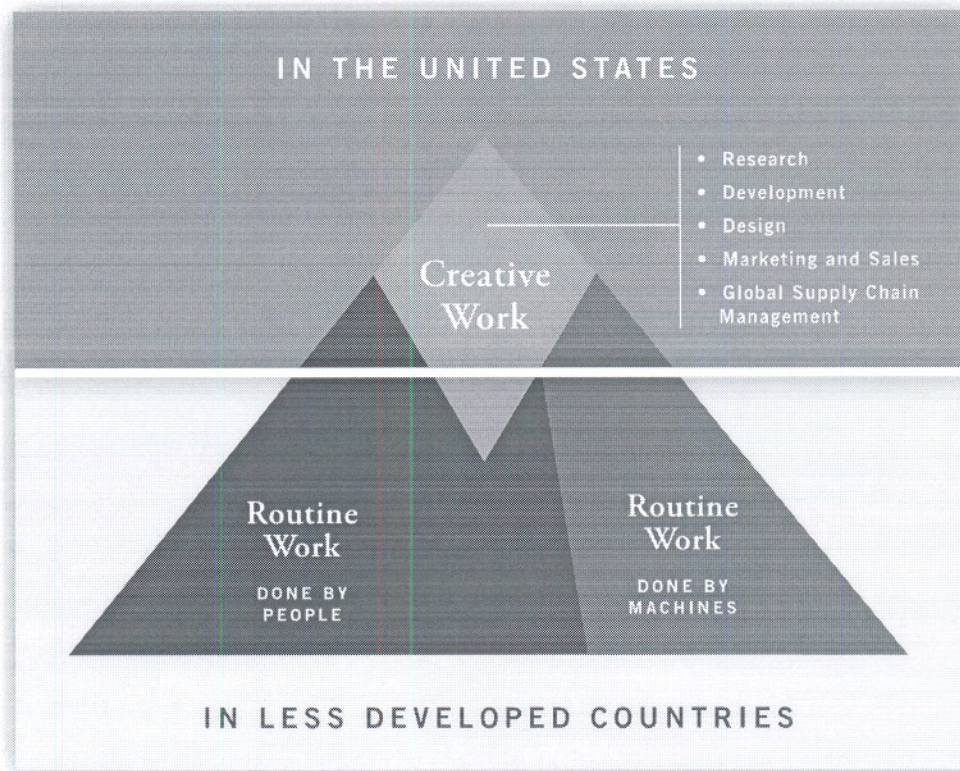
Those countries that produce the most important new products and services can capture a premium in world markets that will enable them to pay high wages to their citizens. In many industries, producing the most important new products and services depends on maintaining the worldwide

technological lead, year in and year out, in that industry and in the new industries that new technologies generate. But that kind of leadership does not depend on technology alone. It depends on a deep vein of creativity that is constantly renewing itself, and on a myriad of people who can imagine how people can use things that have never been available before, create ingenious marketing and sales campaigns, write books, build furniture, make

movies, and imagine new kinds of software that will capture people's imagination and become indispensable to millions.

This is a world in which a very high level of preparation in reading, writing, speaking, mathematics, science, literature, history, and the arts will be an indispensable foundation for everything that comes after for most members of the workforce. It is a world in which comfort with ideas and abstractions is

PROTOTYPICAL U.S. INDUSTRY *in 10 years if all goes well*



the passport to a good job, in which creativity and innovation are the key to the good life, in which high levels of education — a very different kind of education than most of us have had — are going to be the only security there is.

A world in which routine work is largely done by machines is a world in which mathematical reasoning will be no less important than math facts, in which line workers who cannot contribute to the design of the products they are fabricating may be as obsolete as the last model of that product, in which auto mechanics will have to figure out what to do when the many computers in the cars they are working on do not function as they were designed to function, in which software engineers who are also musicians and artists will have an edge over those who are not as the entertainment industry evolves, in which it will pay architects to know something about nanotechnology, and small businesspeople who build custom yachts and fishing boats will be able to survive only if they quickly learn a lot about the scientific foundations of carbon fiber composites.

It is a world in which the rewards will go to the marketing director who sees the opportunity to build a global business in cars selling for \$2,000 each, where others see only poor people who can't afford cars; the clothing designer whose grasp of the direction of fashion is uniquely matched to her understanding of the new fabrics that the new technologies are making possible, and creates the perfect match of fabric and taste and . . .

The best employers the world over will be looking for the most competent, most creative, and most innovative people on the face of the earth and will be willing to pay them top dollar for their services. This will be true not just for

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The best employers the world over will be looking for the most competent, most creative and most innovative people on the face of the earth and will be willing to pay them top dollar for their services. This will be true not just for the top professionals and managers, but up and down the length and breadth of the workforce. Those countries that produce the most important new products and services can capture a premium in world markets that will enable them to pay high wages to their citizens.

That kind of leadership does not depend on technology alone. It depends on a deep vein of creativity that is constantly renewing itself. Now many students just slide through high school, because they know that all they have to do is get passes in their courses or a satisfactory score on an 8th or 9th grade level literacy test to go to college. With this system, they will know that they have to work hard in school to get anywhere, and, the evidence shows, that is exactly what they will do.

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The core problem is that our education and training systems were built for another era. We can get where we must go only by changing the system itself.

the top professionals and managers, but up and down the length and breadth of the workforce.

Strong skills in English, mathematics, technology, and science, as well as literature, history, and the arts will be essential for many; beyond this, candidates will have to be comfortable with ideas and abstractions, good at both analysis and synthesis, creative and innovative, self-disciplined and well organized, able to learn very quickly and work well as a member of a team and have the flexibility to adapt quickly to frequent changes in the labor market as the shifts in the economy become ever faster and more dramatic.

If we continue on our current course, and the number of nations outpacing us in the education race continues to grow at its current rate, the American standard of living will steadily fall relative to those nations, rich and poor, that are doing a better job. If the gap gets to a certain — but unknowable — point, the world's investors will conclude that they can get a greater return on their funds elsewhere, and it will be almost impossible to reverse course. Although it is possible to construct a scenario for improving our standard of living, the clear and present danger is that it will fall for most Americans.

The core problem is that our education and training systems were built for another era, an era in which most workers needed only a rudimentary education. It is not possible to get where we have to go by patching that system. There is not enough money available at any level of our intergovernmental system to fix this problem by spending more on the system we have. We can get where we must go only by changing the system itself.

To do that, we must face a few facts. The first is that we recruit a disproportionate share

of our teachers from among the less able of the high school students who go to college. The second is that we tolerate an enormous amount of waste in the system, failing our students in the early years when the cost of doing the job right would be relatively low, and trying to remediate it later at much higher cost. The third is that this inherently inefficient system has gotten progressively more inefficient over time. While the standards movement has produced real gains, especially for minority students, in recent years, those gains have been leveling off, and the gains have been modest in relation to the increase in per pupil expenditures over the last thirty years. The fourth is that the growing inequality in family incomes is contributing heavily to the growing disparities in student achievement. The fifth is that we have failed to motivate most of our students to take tough courses and work hard, thus missing one of the most important drivers of success in the best-performing nations. The sixth is that our teacher compensation system is designed to reward time in service, rather than to attract the best and brightest of our college students and reward the best of our teachers. The seventh is that, too often, our testing system rewards students who will be good at routine work, while not providing opportunities for students to display creative and innovative thinking and analysis. The eighth is that, too often, we have built a bureaucracy in our schools in which, apart from the superintendent of schools, the people who have the responsibility do not have the power, and the people who have the power do not have the responsibility. The ninth is that most of the people who will be in our workforce

are already in it, and if they cannot master the new literacy at high levels, it will not matter what we do in our schools. And the tenth is that although we have an elaborate funding mechanism to provide funds to send young people to college and university to launch them in the careers of their choice, we have done a very poor job of making it possible for adults who have full-time jobs and family responsibilities to get the continuing education and training they need to survive in the world that is coming.

But the most important truth is none of these. It is that we do not need new programs, and we need less money than one might think. The one thing that is indispensable is a new system. The problem is not with our educators. It is with the system in which they work. That is what the new Commission focused on. And it is the implementation of this system that will take courage and leadership.

Our recommendations follow.

STEP 1:

Assume that we will do the job right the first time

A number of other countries assume that their students are ready for college — really ready for college — when they are 16 years old. So let's start out assuming that we can match or even exceed their performance if we are doing everything right. Further assume for the moment that we want to send everyone, or almost everyone, to college. Now set up a system to do it. Our first step is creating a set of Board Examinations. States will have their own Board Examinations, and some national

We propose a system that has its own integrity, though it can be implemented in many ways.

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These changes would enable the nation to pay beginning teachers about \$45,000 per year, which is now the median teachers' pay, and to pay about \$95,000 per year to the typical teachers working at the top of new career ladders for a regular teaching year and as much as \$110,000 per year to teachers willing to work the same hours per year as other professionals typically do.

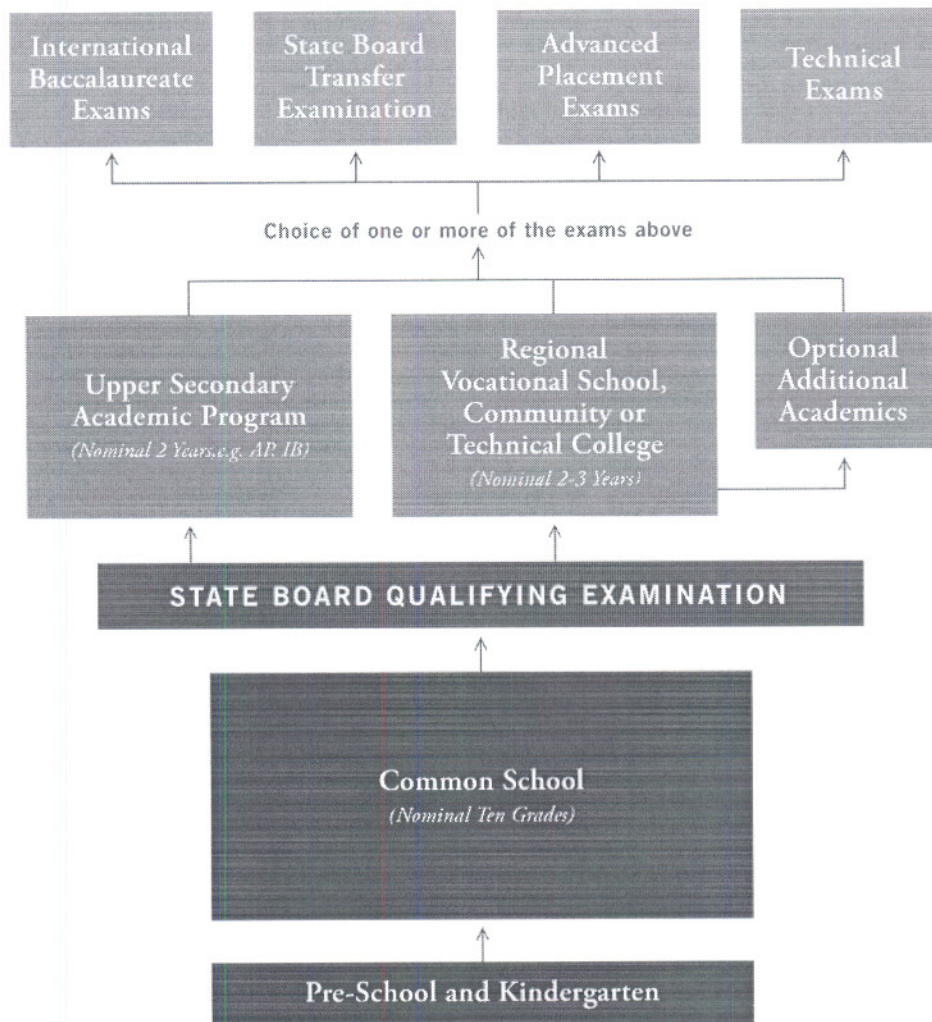
and even international organizations will offer their own. A Board Exam is an exam in a set of core subjects that is based on a syllabus provided by the Board. So the point of the exam is to find out whether the student has learned from the course what he or she was supposed to learn.

For most students, the first Board Exam will come at the end of 10th grade. A few might take it earlier — some might not succeed on their first try, so they might take another year to two to succeed. The standards will be set at the expectations incorporated in the exams given by the countries that do the best job educating their students. But it will in any case be set no lower than the standard for entering community colleges in the state without remediation. We believe that when all of our recommendations are implemented, 95 percent of our students will meet this standard.

Students who score well enough will be guaranteed the right to go to their community college to begin a program leading to a two-year technical degree or a two-year program designed to enable the student to transfer later into a four-year state college. The students who get a good enough score can stay in high school to prepare for a second Board Exam, like the ones given by the International Baccalaureate program, or the Advanced Placement exams, or another state or private equivalent. When those students are finished with their program, assuming they do well enough on their second set of Board Exams, they can go off to a selective college or university and might or might not be given college credit for the courses they took in high school. These students and the ones who went the community college route will have the option when they finish their programs of taking a second set of state Board

New Commission on the Skills of the American Workforce

SCHEMA FOR STUDENT PROGRESSION THROUGH THE SYSTEM



Exams, and if they hit certain scores, they will be guaranteed the right to go to their state colleges and some state universities as juniors.

Our full report provides a lot more detail, but that is the essence of the idea. Students could challenge these Board Exams as soon as they were ready, and they could keep challenging them all their lives, if necessary. No one would fail. If they did not succeed, they would just try again.

Now many students just slide through high school, because they know that all they have to do is get passes in their courses or a satisfactory score on an 8th- or 9th-grade-level literacy test to go to college. With this system, they will know that they have to work hard in school to get anywhere, and, the evidence shows, that is exactly what they will do.

But they will have a lot of help along the way, as you will see in the next section.

STEP 2:

Make much more efficient use of the available resources

The changes just described, plus a couple we will describe in a moment, will save \$60 billion nationally. Some of this will be offset by the fact that many, many fewer students will become dropouts, and we will have to pay for the students to complete school who would otherwise have dropped out. We asked ourselves what would happen if we took the savings and deployed it in roughly equal amounts against three buckets of expenditure: (1) recruiting, training, and deploying a teaching force for the nation's schools recruited from the top third of the

high school students going on to college; (2) building a high-quality full-service early childhood education system for every 3- and 4-year-old student in the United States, and (3) giving the nation's disadvantaged students the resources they need to succeed against internationally benchmarked education standards. If we do not do these things, there is not a prayer that we will be able to get our 10th graders to do college-level work. But if we actually do these things, along with the other things we recommend here, there is every reason to believe that we can send almost everyone to college and have them do well there. This redeployment of resources is a key feature of the plan to do just that.

STEP 3:

Recruit from the top third of the high school graduates going on to college for the next generation of school teachers

It is simply not possible for our students to graduate from our schools by the millions with very strong mathematical reasoning skills, a sound conceptual grasp of science, strong writing skills, world-beating capacity for creativity and innovation, and everything else we talk about in this report unless their teachers have the knowledge and skills we want our children to have.

Many of our teachers are superb. But we have for a long time gotten better teachers than we deserved because of the limited opportunities for women and minorities in our workforce. Those opportunities are far wider now, and we are left with the reality that we are now recruiting more of our teachers from the bottom third of the high school students going to college than is

wise. To succeed, we must recruit many more from the top third.

To get this group requires us, first, to change the shape of teacher compensation, which is currently backloaded, in the sense that it is weak on cash compensation, especially up front, and heavy on pensions and health benefits for the retired teacher. This is what one would want if the idea were to retain the teachers with the most years of service, but it makes no sense if what we are after is to attract young people who are thinking most about how they are going to get the cash they need to enjoy themselves, buy a home, support a family, and pay for college for their children. The first step in our plan is to make retirement benefits comparable to those of the better firms in the private sector and use the money that is saved from this measure to increase teachers' cash compensation. We would add to this a substantial amount from what is saved by changing the progression of students through the system. These changes would enable the nation to pay beginning teachers about \$45,000 per year, which is now the median teachers' pay, and to pay about \$95,000 per year to the typical teachers working at the top of new career ladders for a regular teaching year and as much as \$110,000 per year to teachers willing to work the same hours per year as other professionals typically do.

These figures are on average for the nation as a whole. Higher-cost states would have higher salary scales, and lower-cost states would pay less. And within many states, adjustments would be made to take account of differences within the state in the cost of living. But salaries would rise substantially everywhere.

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Moving from America's tests to the kinds of examinations and assessments that will capture these and other qualities at the level of accomplishment required will entail a major overhaul of the American testing industry.

We would have teachers be employed by the state, not the local districts, on a statewide salary schedule. There would be salary increments for especially effective teachers, teachers at higher points on a new career ladder, those willing to teach in remote or especially tough urban areas, and teachers in shortage fields like mathematics and special education. Those teachers would be licensed by the state and put on a list of available teachers, but none would actually be paid until they were hired by schools (see below).

In the new system, it would be relatively easy for teachers to reach out to other teachers and form organizations to operate schools themselves, much like doctors, attorneys, and architects form partnerships to offer their services to the public.

The current policies regarding teacher education would be scrapped. The state would create a new Teacher Development Agency charged with recruiting, training, and certifying teachers. The state would launch national recruiting campaigns, allocate slots for training the needed number of teachers, and write performance contracts with schools of education, but also teachers' collaboratives, school districts, and others interested in training teachers. Those providers that meet the state's performance requirements would get a larger number of slots than providers whose graduates perform less well. To get listed by the state on its register of available teachers, candidates would have to show that they had at least a bachelor's degree in the subject they propose to teach and would have to pass a rigorous teaching performance assessment.

In states with collective bargaining laws, legislatures would need to work closely with the organizations that represent teachers to effect the kinds of changes we have in mind, for it is obviously easier to implement such changes with strong union support.

STEP 4:

Develop standards, assessments, and curriculum that reflect today's needs and tomorrow's requirements

Many states have tests that students must pass to graduate from high school. But few require more than an 8th-grade-level of literacy in international terms. While many states have increased the proportion of the test that enables students to construct their own answers to questions rather than select an answer from a preselected list, these tests still have a way to go to provide the kinds of information that the world's best high school exit examinations provide. On balance, they are designed to measure the acquisition of discipline-based knowledge in the core subjects in the curriculum, but, more often than not, little or nothing is done to measure many of the other qualities that we have suggested may spell the difference between success and failure for the students who will grow up to be the workers of 21st century America: creativity and innovation, facility with the use of ideas and abstractions, the self-discipline and organization needed to manage one's work and drive it through to a successful conclusion, the ability to function well as a member of a team, and so on.

Moving from America's tests to the kinds of examinations and assessments that will capture these and other qualities at the level

of accomplishment required will entail a major overhaul of the American testing industry. If that is not done, then nothing else will matter, because the old saw that what gets measured is what gets taught is essentially true. A system that pursues the wrong goals more efficiently is not a system this nation needs.

When we have the right assessments, and they are connected to the right syllabi, then the task will be to create instructional materials fashioned in the same spirit and train our teachers to use the standards, assessments, syllabi, and materials as well as possible, just as we train our physicians to use the techniques, tools, and pharmaceuticals at their command as well as possible. But it all starts with the standards and assessments.

STEP 5:

Create high performance schools and districts everywhere — how the system should be governed, financed, organized, and managed

The governance, organizational, and management scheme of American schools was created in the early years of the 20th century to match the industrial organization of the time. It was no doubt appropriate for an era when most work required relatively low literacy levels, most teachers had little more education than their students, and efficiency of a rather mechanical sort was the highest value of the system.

In recent years, American industry has shed this management model in favor of high-performance management models designed to produce high-quality products and services with highly educated workers. Some school districts are moving in this direction. That movement needs to be accelerated, formalized, and brought

The schools would have complete discretion over the way its funds are spent, the staffing schedule, the organization and management of the school, the school's schedule and its program, as long as it provided the curriculum and met the testing and other accountability requirements imposed by the state.

to scale. We share here one way to make that work. No doubt there are others that would work as well.

First, the role of school boards would change. Schools would no longer be owned by local school districts. Instead, schools would be operated by independent contractors, many of them limited-liability corporations owned and run by teachers. The primary role of school district central offices would be to write performance contracts with the operators of these schools, monitor their operations, cancel or decide not to renew the contracts of those providers that did not perform well, and find others that could do better. The local boards would also be responsible for collecting a wide range of data from the operators specified by the state, verifying these data, forwarding them to the state, and sharing them with the public and with parents of children in the schools. They would also be responsible for connecting the schools to a wide range of social services in the community, a function made easier in those cases in which the mayor is responsible for both those services and the schools.

The contract schools would be public schools, subject to all of the safety, curriculum, testing, and other accountability requirements of public schools. The teachers in these schools would be employees of the state, as previously noted.

The schools would be funded directly by the state, according to a pupil-weighting formula as described below. The schools would have complete discretion over the way their funds are spent, the staffing schedule, their organization and management, their schedule, and their program, as long as they provided

the curriculum and met the testing and other accountability requirements imposed by the state.

Both the state and the district could create a wide range of performance incentives for the schools to improve the performance of their students. Schools would be encouraged to reach out to the community and parents and would have strong incentives to do so. Districts could provide support services to the schools, but the schools would be free to obtain the services they needed wherever they wished.

No organization could operate a school that was not affiliated with a helping organization approved by the state, unless the school was itself such an organization. These helping organizations — which could range from schools of education to teachers' collaboratives to for-profit and nonprofit organizations — would have to have the capacity to provide technical assistance and training to the schools in their network on a wide range of matters ranging from management and accounting to curriculum and pedagogy.

Parents and students could choose among all the available contract schools, taking advantage of the performance data these schools would be obligated to produce. Oversubscribed schools would not be permitted to discriminate in admissions. Districts would be obligated to make sure that there were sufficient places for all the students who needed places. The competitive, data-based market, combined with the performance contracts themselves, would create schools that were constantly seeking to improve their performance year in and year out. The fact that schools serving

students from low-income families and other categories of disadvantaged students would get substantially more money than schools with more advantaged student bodies would ensure that these students would be served by high-quality school operators. It would be very hard for low-quality school operators to survive in this environment.

STEP 6:

Provide high-quality, universal early childhood education

For decades, researchers have almost universally concluded that high-quality early childhood education is one of the best investments a nation can make in its young people. But this country has never committed the funds necessary to provide high-quality early childhood education to its 3- and 4-year-olds. The funds freed up by the Commission's proposals for altering the student progression through the system will, for the first time, make it possible for the whole nation to do what should have been done many years ago.

STEP 7:

Give strong support to the students who need it the most

The Commission's proposals, taken together, should transform the prospects of disadvantaged children. The proposal to abandon local funding of schools in favor of state funding using a uniform pupil-weighting funding formula, combined with the addition of \$19 billion to the system as a whole, will make it possible, for the first time in the history of the United States, to have an equitable means of funding our schools, while at the same time leveling up the funding of the system as a whole, so that relatively well-

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The Commission's proposals, taken together, should transform the prospects of disadvantaged children.

to-do districts will not have the incentive to defeat the system that they would have if the existing funds were simply redistributed.

The additional funds for schools serving high concentrations of disadvantaged students will make it possible for those schools to stay open from early in the morning until late at night, offering a wide range of supportive services to the students and their families. They will have the funds needed to screen and diagnose their students, and to make sure that they get the eyeglasses they need or the hearing aids or the therapy for dyslexia or any of the many other things that have prevented these children from learning as well as their wealthier peers. These schools will be able to afford the tutors they need, the counselors and mentors that are the birthright of richer children elsewhere. And they will have the staff needed to reach out to the community and to find the community leaders in the private sector who will develop campaigns to raise the aspirations of these young people, so they come to believe that they too can reach the top if they work hard enough.

In this scheme, schools serving poor students will no longer be routinely outbid for the services of our best teachers by wealthier communities. Nor will our experienced teachers be able to avoid teaching the students who need them the most by virtue of their seniority in the system. In fact, our teachers will be offered additional financial incentives to teach in remote areas and our toughest urban neighborhoods. And the state Teacher Development Agencies will be charged with making a special effort to recruit first-rate teachers for our minority children who look like them and can connect with these children. In

all these ways and more, this plan will give the students who need our help the most a much better chance than they have now.

STEP 8:

Enable every member of the adult workforce to get the new literacy skills

As we pointed out above, most of the people we will have in our workforce in 20 years are in the workforce now. The Commission proposes that the federal government pass legislation entitling every adult and young adult worker — at no charge — to the education required to meet the standard set by the new Board Exam standards that most young people will meet by age 16. This is the standard that the state determines will entitle the holder to enter college without remediation.

Not all young adults and older members of the workforce will choose to take advantage of this opportunity, but many will. And, as some do, others will be encouraged to try. In this way, millions of people whose prospects can only be described as grim will get a new lease on life, and the economy as a whole will become much more productive. High schools all over the country and many other institutions as well will find that they have a new clientele of people who will be very grateful for a second chance at the opportunities that life affords those with an education.

STEP 9:

Create personal competitiveness accounts — a GI Bill for our times

The intention of Step 8 is to provide a foundation of high literacy among our entire workforce. But foundation literacy is not

enough. Our economic analysis suggests that the next few decades will be a time of increasing turbulence in the job market as outsourcing increases, product cycles get shorter, and technological change destroys not just firms but entire industries with increasing frequency. In this environment, it will be extremely important that workers everywhere be able to get the training they need to move quickly to other jobs, other professions, and other industries over and over again. As we noted above, the higher education finance system was set up to serve the needs of full-time students, not full-time workers with family obligations, the very people we are talking about here. So we propose that the government of the United States create Personal Competitiveness Accounts enabling everyone to get the continuing education and training they will need throughout their work lives. The government would create these accounts for every baby when born, with an initial deposit of \$500, and continue to contribute at a lower level until that young person is 16, and later if the account holder was earning very little. The account would earn tax-protected interest as long as there was principal in it. Employers could contribute to it tax free. So could the individual, through salary reductions, and even states might want to contribute as well. The account holder could use the money to pay for tuition at any accredited institution for any work-related program of study, as well as books and fees.

The cost of getting our adults to the new standards of literacy, combined with the cost of this new GI Bill, comes to about \$31 billion per year. This is a lot of money for a country deeply in debt. But it is probably the single most important investment we can make in

our economic future. No other step the nation could take would have a higher payoff in economic agility and competitiveness, for both the individual and the society as a whole.

STEP 10:

Create regional competitiveness authorities to make America competitive

Government-funded job training programs in the United States were mostly created to provide relatively unskilled people the skills needed to get a job — any job — as quickly as possible. So it is not surprising that government-funded job training has not, on the whole, been connected to the government's efforts to stimulate economic development. That being so, the jobs that people who go through this system get are all too often short term and dead end. It is now clear that the most effective strategies for economic development are technology based and regionally focused. It is also clear that the most effective way to provide a real future for people who need jobs is to provide training that is related to the economic future of the region those people live in, for jobs in growth industries.

So the Commission recommends that the federal government develop legislation to encourage the states to create regional economic development authorities involving the key leaders from many sectors in those regions in the development of economic development strategies that make sense to them. These authorities would not only be responsible for coming up with development goals and strategies for their regions, but also for coordinating the work of the region's education and training institutions to make

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sure that each region's workers develop the skills and knowledge needed to be successful in that labor market.

We settled on the word "authorities" to describe these new bodies because we wanted to convey the idea that they need to be more than debating societies. They need to be able to raise and spend the money needed to develop their regions over time. If these new bodies are as successful as we think they will be, the federal government should consider lifting many of the restrictions on the separate programs they will administer and permitting them to combine the funds from these programs in ways that are more likely to lead to both strong economic growth and strong job growth, especially for the most vulnerable people in the country.

The reader will note that most of our recommendations are made to the states, where most of the responsibility for these core functions in American life resides. We will not be disappointed if one state chooses to do it one way and another chooses a different path. We did not write legislative specifications. Our aim is to stimulate many variations of these ideas. But that does not mean that we encourage cherry-picking only those ideas that cost the least and offend the fewest. Without the pain inflicted by the proposals we make for saving money, there will be no gain from the ways we propose to spend it. If legislatures pocket the gains from the savings we propose and fail to make the investments we recommend, then that will simply lead to lower performance all around. We do not propose a collection of initiatives. We propose a system that has its own integrity, though it can be implemented in many ways.

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WE ARE DEEPLY GRATEFUL TO THE
FOUNDATIONS THAT SUPPORTED THIS WORK

ANNIE E. CASEY FOUNDATION
BILL AND MELINDA GATES FOUNDATION
WILLIAM AND FLORA HEWLETT FOUNDATION
LUMINA FOUNDATION FOR EDUCATION

★ ★ ★ ★

THE STUDY

The support of these foundations made it possible to conduct a worldwide program of research and analysis to support the work of the Commission. The research lasted almost two years, and engaged a staff of 19 people as well as many consultants. The work included five major economic and labor market studies, eight international industry studies, a series of comparative education studies on four continents, another series of studies of state workforce development systems within the United States, papers commissioned from leading researchers in the United States and other countries, focus groups, public opinion research, and expert interviews in this country and abroad.

In addition to the United States, the countries in which field research was conducted included Australia, Belgium, Canada, China, Czech Republic, England, Finland, France, Germany, India, Ireland, Italy, and New Zealand.

This research program is more amply described and the reports we produced are listed in the full report of the Commission. Many of the reports are available on the Commission's Web site: www.skillscommission.org

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Former U.S. Senator,

Tennessee

U.S. Trade Representative,

Reagan Administration

Secretary of Labor, Reagan

Administration

JUDY B. CODDING

President and CEO

America's Choice, Inc.

MICHAEL J. DOLAN

Executive Vice President and

Chief Financial Officer

Viacom

Former Chairman

and CEO

Young and Rubicam

DAVID P. DRISCOLL

Commissioner of Education,

Massachusetts

PAUL A. ELSNER

President

Paul Elsner Associates

Former President

Maricopa Community

College System

JOHN ENGLER

President

National Association of

Manufacturers

Former Governor,

Michigan

STEVE GUNDERSON

President and CEO

Council on Foundations

Former U.S. Congressman,

Wisconsin

CLIFFORD B. JANEY

Superintendent

District of Columbia

Public Schools

SHARON LYNN KAGAN

Virginia & Leonard Marx

Professor of Early

Childhood and Family

Policy

Teachers College, Columbia

University

JOEL I. KLEIN

Chancellor

New York City Public Schools

Former Assistant Attorney

General

Former Chairman and CEO

Bertlesmann

DAL LAWRENCE

Past President

Toledo Federation of Teachers

RAY MARSHALL

*Audre and Bernard Rapoport
Centennial Chair in
Economics and Public
Affairs
L.B.J. School of Public Affairs
University of Texas at Austin
Former Secretary of Labor,
Carter Administration*

MARC H. MORIAL

*President and CEO
National Urban League
Former Mayor,
New Orleans, Louisiana*

BEVERLY O'NEILL

*Former Mayor,
Long Beach, California*

RODERICK PAIGE

*Chairman
Chartwell Education
Group LLC
Former Secretary of
Education, George W.
Bush Administration*

THOMAS W. PAYZANT

*Senior Lecturer for Education
Harvard Graduate School
of Education
Former Superintendent,
Boston Public Schools*

CHARLES B. REED

*Chancellor
California State University
System*

RICHARD W. RILEY

*Senior Partner
Nelson Mullins Riley and
Scarborough LLP
Former Secretary of Education,
Clinton Administration*

HENRY B. SCHACHT

*Managing Director
Warburg Pincus LLC
Former Chairman and CEO
Lucent Technologies and
Cummins Engine Company*

SUSAN SCLAFANI

*Managing Director
Chartwell Education
Group LLC
Former Assistant Secretary
of Vocational and
Adult Education, George
W. Bush Administration*

LEWIS HARRY SPENCE

*Commissioner
Massachusetts Department of
Social Services*

SARA MARTINEZ TUCKER*

*Former President and CEO
Hispanic Scholarship Fund*

A. WILLIAM WIGGENHORN

*President of Consulting
Services
Educational Development
Associates
Former Chief Learning
Officer, Motorola and
Cigna*

*Sara Martinez Tucker, on her nomination by President Bush to the position of Under Secretary of Education in the U.S. Department of Education, resigned from the Commission on September 6, 2006.

COMMENTS FROM THE COMMISSIONERS

"This proposal is radical? Yes. Hard to achieve? Of course. Essential? Absolutely. Our nation's schools are failing to educate our children, and that has to stop—else we condemn our own kids to ever lower incomes. We must act—now!" —WILLIAM E. BROCK, FORMER SECRETARY OF LABOR, REAGAN ADMINISTRATION

"Being a member of this Commission was exciting and enlightening. I emerged convinced that there is an urgent need for precisely the kind of national discussion—probing and thoughtful—that we had and that this report is intended to provoke. It is essential that these recommendations get a full and fair hearing."
—BEVERLY O'NEILL, FORMER MAYOR, LONG BEACH, CALIFORNIA

"This provocative report challenges all of us to act now. Entire nations are working harder and studying longer in order to enjoy what many Americans have come to take for granted. The question is: Are there states or communities with the confidence and the courage to act before it is too late? In 1983, we were *A Nation at Risk*. Twenty-three years later, in 2006, the risk is even greater. It is getting late. For the sake of our children and our future, read this report and get to work." —JOHN ENGLER, PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

"I commend the Commission for a report that presents bold and promising proposals to deal with the issues that our nation and its workforce will face in the 21st century." —JOEL I. KLEIN, CHANCELLOR, NEW YORK CITY PUBLIC SCHOOLS

"The question this report raises is whether our country has the kind of education system that is needed to maintain America's standard of living for our children, our grandchildren, and future generations. I very much hope that it will spark the kind of tough, honest debate on that topic that it so richly deserves." —RICHARD W. RILEY, FORMER SECRETARY OF EDUCATION, CLINTON ADMINISTRATION

"Bold, inventive, analytic, and piercing, the report's recommendations stand to make a huge difference in how America thinks about and enacts its educational enterprise for *all*—including its youngest—students."
—SHARON LYNN KAGAN, VIRGINIA & LEONARD MARX PROFESSOR OF EARLY CHILDHOOD AND FAMILY POLICY, TEACHERS COLLEGE, COLUMBIA UNIVERSITY, AND CODIRECTOR, THE NATIONAL CENTER FOR CHILDREN AND FAMILIES

"This report deals with the critical issue of training and educating the current workforce to meet the competitive challenges of the future and indicates the depth of the changes our nation needs to make to change our culture to one of life-long learning." —MORTON BAHR, PRESIDENT EMERITUS, COMMUNICATIONS WORKERS OF AMERICA

"This report offers a radical new blueprint for making America's K-12 educational experience more meaningful and effective. It's a fascinating and thought-provoking read that is sure to get the American educational establishment talking." —CHARLES B. REED, CHANCELLOR, CALIFORNIA STATE UNIVERSITY SYSTEM

"This report shows how states and professional educators can create efficient, high-performance school systems to educate all students to high standards." —RAY MARSHALL, FORMER SECRETARY OF LABOR, CARTER ADMINISTRATION

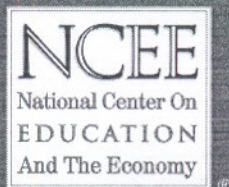
"A thorough, thoughtful, and timely study. Most important, it goes far beyond the normal conclusions. The recommendations are sweeping and controversial but must be considered seriously as they flow directly from the logic of the study. If not these, what then?" —HENRY B. SCHACHT, MANAGING DIRECTOR, WARBURG PINCUS LLC

"Piecemeal reform of public education in America is insufficient to deliver on the promise that every child will receive an education that leads to a good job, productive life, and responsible citizenship. The *New Commission Report* is a coherent, comprehensive, systemic plan for how to enable public education in America to be the best in the world." —THOMAS W. PAYZANT, FORMER SUPERINTENDENT, BOSTON PUBLIC SCHOOLS

"It is my hope that the report will be heeded at the highest policy levels in every local community. What is at stake for our nation and every citizen is nothing less than the prospect of a plummeting standard of living for our children and American generations to come if we fail to act." —PAUL A. ELSNER, FORMER PRESIDENT, MARICOPA COMMUNITY COLLEGE SYSTEM

"This may be a policy report, but it should be read by every practitioner. Brutally honest, it shows why money alone cannot get all our students ready for college and lays out bold and imaginative solutions to the problems that educators deal with every day, solutions that will take courage to implement, but that are at the same time realistic and practical." —JUDY B. CODDING, PRESIDENT, AMERICA'S CHOICE, INC.

"I become more concerned each day that our students are falling further behind and the people of this nation do not seem to be alarmed. This report lays out the kind of drastic change to the system that is crucial if we are to remain a viable economic and political leader in the world." —DAVID P. DRISCOLL, COMMISSIONER OF EDUCATION, MASSACHUSETTS



The National Center on Education and the Economy is a not-for-profit organization created to develop proposals for building the world class education and training system that the United States must have if it is to continue to be a world class economy. The National Center engages in policy analysis and development and works collaboratively with others at the local, state and national levels to advance its proposals in the policy arena.

NATIONAL CENTER ON EDUCATION AND THE ECONOMY

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www.skillscommission.org

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Early Education & Care Committee

Changes in Provider Qualifications for Relatives

Background

In certain circumstances, The WorkSource can pay a customer's relative to provide care for children while the customer works or goes to school. We allow grandparents, aunts, uncles and siblings of the child to take care of the child at the parent's request. We pay relatives at a lower rate than regulated providers, such as child care centers and registered family homes.

Following some concerns recently raised in the Dallas area about relative providers, we have looked for ways to do background checks on relatives. We are currently changing our process for certifying relative providers to make sure we are placing children in safe environment and in anticipation of requirements from the Workforce Commission.

Current Situation

By the end of January, we will require the following for any relative providing care paid for by The WorkSource's financial aid:

- The relative must list with the Texas Department of Family and Protective Services or already be listed.
- As a part of the listing process, the relative provider will undergo a criminal background check.
- We will not pay relatives who do not pass the Department's criminal background screen process and have past offenses which indicate concern for the health and safety of a child. If the parent had extremely limited options for child care available, we would consider relatives who fell into the following circumstances, although we would not necessarily approve them. These circumstances include:
 - A criminal conviction is unrelated to the health and safety of a child (misdemeanor offenses), or
 - The criminal conviction occurred more than 10 years ago, and
 - There are no other providers within a reasonable distance of the parent

In addition, we will check a sample of our relative providers each calendar quarter to make sure they are adhering to The WorkSource's rules.

Early Education & Care Committee

Increasing Provider Rates

Background

The Board has not raised its maximum rates for child care providers in over 6 years, even though the cost of providing that care continues to increase. Over the years, our providers have asked that we consider raising our rates to meet their rising costs. We also have some concern that if we do not make efforts to reflect market rates, we may be unable to help parents pay for care at top-quality providers.

Current Situation

We surveyed our current data base for providers' published rates. The system shows a large gap between providers' published rate and The WorkSource maximum rates.

- We believe that we can accommodate an increase in our rates of 3% and continue to meet our production targets for the Workforce Commission.
- This increase would cost us approximately \$3 million in the next year.
- We would only raise our maximum rates for regulated providers—i.e., licensed centers and registered providers. We will not increase reimbursements for relatives.

Action

Increase our maximum reimbursement rates for child care providers by 3%.

Early Education & Care Committee

Increasing Aid to Customers in Training

Background

Currently we limit a customer's eligibility for child care financial aid to 65 semester hours of training or two years, whichever occurs first.

Current Situation

We have the opportunity to increase the time we allow customers to remain in school and continue receiving child care financial aid. The Legislature has required us to extend to four years the time we will support a customer who is pursuing an associate's degree in one of the Board's high-skill, high-growth occupations.

We also have the ability to extend time for customers enrolled in other education programs—particularly those who may be pursuing bachelor's degrees in the high-skill, high-growth occupations.

Customers will continue to have to meet all other eligibility requirements for our financial aid (family income, full-time training, etc.), and customers must continue to actively participate in school and make satisfactory progress toward their degrees.

Action

Allow eligible customers enrolled in full-time school pursuing at least an associate's degree in high-skill, high-growth occupations to have up to four years of child care financial aid to complete their education.

Proposed 2007 Workforce Board Budget

Budget Committee

Background

Each year the Board approves a budget showing how it uses the revenues it receives to achieve the results set out in the Board's strategic plan.

Current Situation

The Budget Committee met on Friday, January 5, 2007 with Committee Chair Yvonne Estrada; members Tom Stinson, Gerald Andrews, Michael Nguyen, Pat Charnveja, Dula Abdu; and Board Chair Frank Thompson present. After discussion and consideration, the committee recommends a budget of \$205.7 million for 2007.

The proposed 2007 budget is 1% higher than the 2006 budget. This reflects primarily the continuing availability of hurricane recovery money into this year. Other revenue notes include:

- We have more Temporary Assistance to Needy Families money following federal reauthorization of that welfare legislation. We will need to make several changes in our service to welfare recipients as a result of the reauthorization, and the additional money will help us do that. We use this money to fund base operations in our career offices and provide financial aid for eligible customers.
- We have slightly more Workforce Investment dollars this year than last, largely because we carried over money from 2006. We used the hurricane recovery dollars in career offices and spent less of the more general workforce investment act funds last year.

The Bush Administration has proposed several changes to workforce investment regulations that could affect us later in the year. At this point, we don't see any significant problems from these proposed changes, although we would be required to reserve more of our workforce investment funds for scholarships. We will be looking to see what the detailed proposals are and will report back to the Board when we know more.

- We have extra child care dollars for the 2007 budget.

The extra money comes from hurricane recovery money put into our region last year, savings realized from our changes to the child care financial aid delivery system last year, and a slight increase in our base allocation. The extra money has also resulted in open availability for customers seeking child care financial aid – something we have not seen in a long time. Usually customers have to go on to a waiting list to get our child care financial aid.

On the expenditure side of the budget, we are proposing increases in financial aid and office operations largely reflecting again the source of our revenue. (Increased Temporary Assistance to Needy Families and child care dollars affect these two parts of our operations.)

- Employer Service shows a smaller proposed budget even though we have committed more dollars to the contractor that operates this part of our system. The decreased annual budget is the result of the end of our healthcare Work/School Project, which spent several million dollars over a multi-year period.
- After approval by the Procurement Committee earlier in 2006, we discontinued one of the Research & Demonstration contracts because of issues with the contractor's financial systems. This accounts for the decrease in dollars for this activity.
- We are proposing an operations budget for the Board staff of \$4.9 million, an increase of 3.4%. The proposed Board operations budget represents 2.4% of our total budget.
 - Half of this increase is related to our centralizing expenses for internet connections from our contractors. Although we have decreased the overall amount of money we spend system-wide for this function, our 2006 budget estimates for costs were low. We've set the proposed 2007 budget levels at actual cost.
 - We're proposing 30 full-time equivalent staff positions. Personnel costs reflect H-GAC's merit pool salary increase policy. As you may recall, H-GAC sets aside a pool of funds for merit raises in most years. Managers recommend raises based on an evaluation of employees' performance.
 - We've also budgeted a small amount (\$25,000) for web development, which accounts for the slight increase in consultant & contract costs.

Action

Recommend proposed 2007 budget of \$205.7 million to the Gulf Coast Workforce Board.

GULF COAST WORKFORCE BOARD					
PROPOSED 2007 BUDGET					
SOURCE AND USE					
Source			Use		
General Revenue	189,430,150		Board Operations		4,942,218
Special State Revenue	15,938,361		Employer Service		7,250,000
Special Federal Revenue	425,000		Resident Service		191,901,293
Other	-		<i>Financial Aid</i>	<i>123,558,947</i>	
			<i>Office Operations</i>	<i>68,342,346</i>	
			Research & Demonstration		1,700,000
Total	\$205,793,511		Total		\$205,793,511

GULF COAST WORKFORCE BOARD				
PROPOSED 2007 BUDGET				
REVENUE SUMMARY				
		2007	2006	% Change
General Revenue		189,430,150	181,978,829	4%
Employment Service	7,817,416			
Veterans Employment & Training	373,368			
Re-Integration of Offenders	896,800			
Trade Act	369,750			
Workforce Investment	45,907,313			
Youth Opportunity	200,000			
Food Stamp Employment & Training	2,130,367			
Temporary Assistance to Needy Families	18,483,931			
Child Care & Development Block Grant	111,961,586			
TxDOT Transportation Assistance	1,289,619			
Special State Revenue		16,109,361	19,248,073	-16%
Hurricane Related	15,100,826			
First Generation Students Pilot	100,000			
Disability Navigator Pilot	108,535			
Community Resource Pilot	250,000			
Personal Re-Employment Accounts Pilot	300,000			
Non-Custodial Parents Pilot	250,000			
Special Federal Revenue		254,000	1,950,000	-87%
DOL Aerospace	235,000			
DOL Healthcare	-			
HRSA Nursing Diversity	19,000			
Other		-	-	
	Totals	205,793,511	203,176,902	1%

GULF COAST WORKFORCE BOARD					
PROPOSED 2007 BUDGET					
BUDGET SUMMARY					
	2006	2007	% of Total 2007 Budget	Dollar Variance from 2006	% Variance from 2006
Board Operations					
Personnel	2,479,190	2,538,242	1.2%	59,052	2.4%
Indirect	307,846	308,899	0.2%	1,053	0.3%
Consultants & Contract	1,175,000	1,199,000	0.6%	24,000	2.0%
Travel	57,560	57,650	0.0%	90	0.2%
Rent	157,744	155,453	0.1%	-(2,291)	-1.5%
Capital Equipment	-	-			
Other ¹	600,193	682,974	0.3%	82,781	13.8%
Subtotal, Board Operations	4,777,533	4,942,218	2.4%	164,685	3.4%
System Operations					
Employer Service ²	8,153,900	7,250,000	3.5%	-(903,900)	-11.1%
Resident Service					
Financial Aid	121,142,609	123,558,947	60.0%	2,416,338	2.0%
Office Operations	66,887,593	68,342,346	33.2%	1,454,753	2.2%
Research & Demonstration ³	2,215,177	1,700,000	0.8%	-(515,177)	-23.3%
Subtotal, System Operations	198,399,279	200,851,293	97.6%	2,452,014	1.2%
Total	203,176,812	205,793,511	100.0%	2,616,699	1.3%
¹ Increase due to internet connection costs for career office system					
² Decrease due to end of Healthcare Work/School project					
³ Decrease due to ending contract for one project					

GULF COAST WORKFORCE BOARD		
PROPOSED 2007 BUDGET		
BUDGET DETAIL		
	Board Operations	
	2007	2006
Consultants & Contract	1,199,000	1,175,000
Legal Services	25,000	15,000
Audit	24,000	30,000
Financial Monitoring	175,000	175,000
Marketing & Outreach	750,000	755,000
Planning Assistance	175,000	165,000
Customer Surveys	20,000	30,000
Web Development	25,000	-
Contract labor services	5,000	5,000
Other	682,974	600,193
Supplies	17,000	14,500
Meeting Expenses	18,000	17,500
Outside Printing	5,000	5,000
Books & Publications	2,000	2,000
Maintenance & Repair	5,997	8,500
Software	10,000	7,500
Employee Development & Recruiting	22,500	7,500
Communications	365,000	275,000
Postage & Delivery	15,000	15,000
Subscriptions & Dues	10,500	10,500
Expendable Equipment	29,500	25,000
Legal Notices	17,500	15,000
Network Services	101,436	121,238
Personnel Services	27,540	16,413
Purchasing	12,535	23,634
Print Shop	23,466	35,908

Marketing/Communications Procurement

Gilbreath Communications, Inc.

Background

In October 2006, we solicited proposals for a marketing/communications service to The WorkSource system. This was a continuation of the service we have successfully contacted out for the past six years to build awareness of our service among employers and area residents.

We received proposals from BQR Advertising and Public Relations, Inc.; Freed Advertising, L.P.; and Gilbreath Communications, Inc.

Board staff evaluated and scored the proposals based on 1) qualifications of personnel and availability of staffing to provide the full range of services needed, 2) financial stability of agency, 3) creative expertise as illustrated by sample work, 4) experience developing marketing strategies and providing advertising and public relations services, 5) experience working in the Gulf Coast region and knowledge of the regional media, 6) and financial terms for providing campaign services for the Board. Gilbreath Communications ranked first, followed by Freed Advertising, L.P., and then BQR Advertising and Public Relations, Inc.

Mark Guthrie, chair of the Board's Procurement Committee, asked that we bring the staff recommendations to the Board for direct consideration.

Past Experience

We have contracted with Gilbreath Communications, Inc. over the past six years for marketing/communications. During that time Gilbreath has helped us establish The WorkSource name and logo, market our service to employers and residents throughout the region, develop distinctive customer service tools for our resident customers, manage two large region-wide job fairs (Destination Occupation in 2005 and 2006), provide us with customer service and satisfaction research data, and produce the Board's Workforce Report Card.

At the end of the first three-year contract in 2003, we carried out research to measure the effectiveness of the marketing campaign. Key findings showed The WorkSource name was recalled on a top-of-mind (no prompting) basis by 2% of employers. In 2006, similar research found that unprompted name recognition among employers rose to 23%.

Current Situation

Based on the evaluation of bids we received, and our past experience, we recommend that the Board contract with Gilbreath for marketing/communications services over a three year period beginning March, 2007.

The first year contract, extending from March, 2007 through February, 2008, would not exceed \$700,000 for marketing communications and public relations services; advertising media buys; collateral development, production and printing; a third Destination Occupation job fair; additional industry events and continuing customer satisfaction research.

Gilbreath would be eligible for two additional annual contracts if funds were available and after review and approval by the Board.

Action

Authorize staff to negotiate a first year contract with Gilbreath Communications, Inc. for marketing and communications services in amount not to exceed \$700,000.

GILBREATH COMMUNICATIONS, INC.
PROPOSAL OF WORK
MARCH, 2007 THROUGH FEBRUARY, 2010

- **PLANNING, PLAN DEVELOPMENT AND RESEARCH**

To move forward with The WorkSource marketing program, Gilbreath Communications, Inc. (GCI) will evaluate the current research that may suggest changes, updates or additions to current marketing communications and public relations initiatives to reach The WorkSource audiences more directly. A working plan will be developed to include new strategies, working timelines and individual project budgets. It will ensure that marketing communications and advertising efforts do not exceed the capability of the system. The revised plan will recommend a new and/or continued mix of strategies to reach diverse audiences, and it will continue to incorporate research to measure results.

- **PUBLIC RELATIONS**

GCI will continue to strategically use a mix of communication approaches tailored to The WorkSource audiences' preference for receiving educational, and/or recruitment information. Its emphasis will be on public relations efforts. An aggressive and consistent Public Relations program will be developed as a part of the revised overall plan to better reach audiences and give added-value to advertising efforts. Events will be planned and managed, such as the annual Destination Occupation job fair, and others that will target community-based business organizations and associations. GCI would also develop events pertaining to specific industries, such as Health Care and Engineering.

- **ADVERTISING AND MEDIA RELATIONS**

GCI will use media relations to leverage its advertising program and help build even greater awareness of The WorkSource. It will pursue general and minority media coverage throughout the year for the various needs of The WorkSource. Its media strategy will be designed to build one medium upon another in order to

- Continue to build name awareness for The WorkSource,
- Maintain The WorkSource brand and position,
- Deliver The WorkSource branding message, and
- Encourage a response from applicants and businesses.

GILBREATH COMMUNICATIONS, INC.
FIRST YEAR 2007-2008
BUDGET

Total funds available for the development and execution of the first-year marketing campaign—including media placement—will not exceed \$700,000.

Rough cost allocations for developing and executing this campaign, including personnel hours, production costs, media placement, travel, applicable fees, and any other costs are as follows:

Tasks		Budget Costs
CREATIVE, PRODUCTION & MATERIALS		\$ 175,300
Broadcast Production	\$ 10,000	
Print Production	\$ 2,000	
Outdoor Production	\$ 2,000	
Translations - Materials	\$ 3,000	
Web-Auto Translation Program & Update	\$ 8,000	
Concept/Design/Layout	\$ 50,300	
Collateral & Direct Materials	\$ 100,000	
PR, ADVERTISING, RESEARCH, MEDIA & SUPPORT		\$ 354,700
Advertising/Public Relations, Buying , Account Mgmt.	\$ 87,000	
Market Research (Awareness Tracking, FG & Mystery)	\$ 65,000	
Special Events (i.e. Annual Job Fair)	\$ 200,000	
Media Tracking & Analysis	\$ 2,000	
Travel/Deliveries	\$ 700	
MEDIA PLANNED PURCHASE		\$ 170,000
Radio Ads	\$ 50,000	
Outdoor	\$ 30,000	
Print (Magazines, Newspapers)	\$ 42,000	
Smart Lite – Mall Advertising	\$ 18,000	
Directories	\$ 20,000	
Yellow Pages	\$ 10,000	
TOTAL PROPOSED BUDGET		\$ 700,000

GULF COAST WORKFORCE BOARD
SYSTEM PERFORMANCE
OCTOBER 2006 - DECEMBER 2006

While staff continues to track federal and state measures, the focus of the system is to meet and exceed these overarching measures.

BOARD GOAL: More Competitive Employers

MEASURE	ANNUAL TARGET	CURRENT PERFORMANCE	PERFORMANCE LAST YEAR
For the Regional Workforce System			
<u>Increase in region's real gross product</u> Regional gross product is stated in 2000 dollars. Most recent data is for 2003.	\$253 Billion	Not Available	\$202 Billion
For The WorkSource			
<u>Employers Receiving Services (Market Share)</u> We expect to provide services to 24,300 employers this year which is 20% of the 121,343 employers identified for the Gulf Coast area. Through the first quarter, we provided services to 5,808 employers.	20%	4.8%	15.2%
<u>Employer Loyalty</u>	61%	75.9%	58.7%

BOARD GOAL: More Competitive Employers: More and Better Jobs

SYSTEM MEASURE	ANNUAL TARGET	CURRENT PERFORMANCE	PERFORMANCE LAST YEAR
For the Regional Workforce System			
<u>New jobs in region</u> No data available for this performance year. 2006 data shows more new jobs than we predicted.	45,488	Not Available	97,970
<u>Region's population employed</u> No data available for this performance year. The percent of the region's population employed in 2006 was as predicted.	60%	Not Available	60%
For The WorkSource			
<u>New jobs created</u> No data available for this performance year.	1,200	0	1,225
<u>Customers employed by the 1st Qtr after exit</u> Performance on customers employed after exit is slightly below target. Through the first quarter, 66,813 of the 88,843 who exited were employed.	76%	75.1%	76.4%

BOARD GOAL: More Competitive Employers: Higher Real Incomes

SYSTEM MEASURE	ANNUAL TARGET	CURRENT PERFORMANCE	PERFORMANCE LAST YEAR
For the Regional Workforce System			
<u>The region's real per capita income</u> No data available for this performance year. Most recent data is for 2003.	\$39,086	Not Available	\$31,895
For The WorkSource			
<u>Exiters with Earnings Gains of at least 10%</u> The percent of exiters with earnings gains greater than 10% is at the performance target. Through the first quarter, 38,244 of the 92,278 who exited had earnings gains of at least 10%.	41%	41%	39.7%

BOARD GOAL: More Competitive Employers: A Better Educated and Skilled Workforce

SYSTEM MEASURE	ANNUAL TARGET	CURRENT PERFORMANCE	PERFORMANCE LAST YEAR
For the Regional Workforce System			
<u>Region's population with an education credential</u> No data available for this performance year. Most recent data is for 2005.	79%	Not Available	78%
<u>Region's population with a post-secondary degree</u> No data available for this performance year. Most recent data is for 2005.	35%	Not Available	34%
<u>Region's population pursuing education credential that achieve one</u> No data available for this performance year. Most recent data is for 2005.	20%	Not Available	19%
For The WorkSource			
<u>Customers pursuing education credential that achieve one</u> Current performance exceeds the target at this time. Through the first quarter, 1,553 of the 4,774 customers pursuing an education credential achieved one.	19%	32.5%	13%

GULF COAST WORKFORCE DEVELOPMENT BOARD
FINANCIAL STATUS REPORT
For the Twelve Months Ended Dec. 31, 2006

	ANNUAL BUDGET	BUDGET YEAR TO DATE	ACTUAL YEAR TO DATE	DOLLAR VARIANCE
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WORKFORCE REVENUES

WORKFORCE REVENUES	203,176,902	203,176,902	191,727,233	11,449,669
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WORKFORCE EXPENDITURES

BOARD ADMINISTRATION	4,777,623	4,777,623	4,427,258	350,365
EMPLOYER SERVICES	8,153,900	8,153,900	7,064,464	1,089,436
RESIDENT SERVICES	188,030,202	188,030,202	178,404,566	9,625,636
OFFICE OPERATIONS	66,887,593	66,887,593	63,666,813	3,220,780
FINANCIAL AID	121,142,609	121,142,609	114,737,753	6,404,856
RESEARCH & DEMONSTRATION	2,215,177	2,215,177	1,830,945	384,232

<i>TOTAL WORKFORCE EXPENDITURES</i>	203,176,902	203,176,902	191,727,233	11,449,669
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VARIANCE ANALYSIS

Note: "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.

The WorkSource Best Practices in Resident Service

Background

Periodically we recognize good work going on in The WorkSource system by highlighting excellence in serving customers and implementing the Board's mission, vision and values. Today we would like to recognize HoustonWorks for finding innovative ways to improve customer service in increasingly busy career offices and our multi-contractor Placement Team for its work with claimants.

Innovation in Busy Offices

HoustonWorks manages many of our largest offices. It is not unusual for The Southwest office, our busiest, to see more than 1,000 people in a day. The WorkSource franchise model requires staff to treat each customer's request for service individually. Staff are expected to give each customer the time necessary to meet her needs.

HoustonWorks management and office staff have come up with several ideas to serve a growing volume of customers more efficiently.

- They installed electronic people counters in all the HoustonWorks managed offices. These counters have helped management to know where the customers are when determining staffing needs. The counters have also made it possible to identify trends that point to especially busy times of the day and days of the week. Management has adjusted staff accordingly.
- A Resource Specialist at The WorkSource – Hobby, Kenneth Mirenda, developed a computer program to allow each staff person in that office to see a list of waiting customers on her personal computer screen. This allowed Greeters to stay at the front of the office and Employment Counselors - and other staff - to know when customers were waiting. It helps staff to manage time more efficiently when they see that people are waiting.

Shaun Loether, in HoustonWorks IT department, perfected the program so that now management and staff in all HoustonWorks offices know who is waiting for what service and how long they have waited. Managers and supervisors move additional staff to help customers entering the office anytime the wait exceeds ten minutes. They also have a record of how long it takes staff to deliver particular services and how long customers may have to wait for those services.

- A pilot project at Hobby has Greeters and Resource Specialists using earpieces and small microphones to communicate with other office staff without leaving the public areas.

We appreciate HoustonWorks for encouraging staff innovation. We also appreciate management's willingness to invest in technology and staff time to find better ways to help The WorkSource customers.



GULF COAST REGION EMPLOYMENT TRENDS

FEBRUARY 2007

DECEMBER 2006 DATA

Over-the-year job growth drops in December. The Gulf Coast Region's¹ over-the-year job growth for December was 3.0 percent, or 73,100 jobs. This was less than the 3.2 percent recorded for November, when the over-the-year job gain was 76,700. Last year at this time the over-the-year growth rate for December 2005 was 3.2 percent, or 75,100 jobs. Slower growth was reported in mining, construction, manufacturing, transportation, and professional & business services. The Houston-Sugar Land-Baytown Metropolitan Statistical Area's (MSA) annual job growth for 2006 was 70,400, better than last year's 60,400 jobs (*Chart 1*).

Unemployment rate for December lowest since 2000, when it was 3.5 percent. In the past three years, from December 2003 to December 2006, the unemployment rate has dropped from 6.1% to 4.0%, for a total of 112,700 unemployed in the Gulf Coast 13-county region, down from 159,900 in December 2003. Another sign of a tight labor market is the drop in initial claims for unemployment benefits. In December 2003 there were 18,249 initial claims filed in the Gulf Coast area. In December 2006 the number dropped to 10,644, down 42 percent.

Area's job growth still out performs the nation and Texas. The 3.0 percent increase from December 2005 to December 2006 outpaced the rates reported by the U. S. (1.4%) and Texas (2.2%). The Gulf Coast Region had better growth in construction; transportation, warehousing, & utilities; health care; government; and professional & business services than the state or nation.

Job growth is even better than reported. Preliminary job estimates are based on a sampling of firms. Texas Workforce Commission uses the sample to calculate initial estimates for the most recent months. Another job count is computed using quarterly filings by firms reporting the number of employees eligible for unemployment insurance. The data is more comprehensive but is available only with a six-month time lag. The Texas Workforce Commission revises initial job growth estimates using the more comprehensive data in March each year. Using the comprehensive data for June 2006, the over-the-year job increase was 92,900, or 4.0 percent. The initial estimate for June 2006 (based on the sample) was 61,300, or 2.6 percent. In March 2007 TWC will release revised estimates for 2006 showing the increase based on the comprehensive job count.

Professional & Business Services adding jobs. The data on the next page, Table 1, shows the levels of employment for the current month, month ago, and year ago for the Gulf Coast Region. Professional & Business Services and Construction were the two largest job producers over the year, adding 17,600 and 13,500 jobs respectively.

The thirteen county region's unemployment rate was 4.0%, down from 5.1% in December 2005.

¹ The Houston- Sugar Land-Baytown MSA is the only geographic area with monthly job count data in the Gulf Coast Region. Houston-Sugar Land- Baytown MSA includes the following counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller
Source – U. S. Department of Labor, BLS and Texas Workforce Commission



Table 1

Houston-Sugar Land-Baytown MSA				NET CHANGE FROM:		% Chg.
				Nov-06 TO	Dec-05 TO	Dec-05 TO
Industry	Dec-06	Nov-06	Dec-05	Dec-06	Dec-06	Dec-06
Total Nonfarm	2,477,200	2,468,300	2,404,100	8,900	73,100	3.0%
MINING	77,900	78,000	73,400	-100	4,500	6.1%
CONSTRUCTION	185,300	186,100	171,800	-800	13,500	7.9%
MANUFACTURING	217,500	217,700	215,800	-200	1,700	0.8%
DURABLE GOODS	135,100	136,000	133,900	-900	1,200	0.9%
NONDURABLE GOODS	82,400	81,700	81,900	700	500	0.6%
TRADE, TRANSP., & UTILITIES	512,600	504,400	503,900	8,200	8,700	1.7%
WHOLESALE TRADE	127,100	126,200	124,200	900	2,900	2.3%
RETAIL TRADE	260,000	254,200	259,400	5,800	600	0.2%
TRANSP, WAREHOUSING, & UTIL	125,500	124,000	120,300	1,500	5,200	4.3%
INFORMATION	35,200	35,200	35,900	0	-700	-1.9%
FINANCIAL ACTIVITIES	144,500	144,400	141,100	100	3,400	2.4%
PROFESSIONAL & BUSINESS SERV.	362,200	362,800	344,600	-600	17,600	5.1%
EDUCATION & HEALTH SERV.	276,300	275,400	266,700	900	9,600	3.6%
LEISURE & HOSPITALITY	212,900	211,500	207,000	1,400	5,900	2.9%
OTHER SERV.	96,600	96,000	94,400	600	2,200	2.3%
TOTAL GOVERNMENT	356,200	356,800	347,800	-600	8,400	2.4%
FEDERAL	29,200	28,900	28,300	300	900	3.2%
STATE	68,200	68,600	68,800	-400	-600	-0.9%
LOCAL	258,800	259,300	250,700	-500	8,100	3.2%

Chart 1

