



## A Prerequisite for Continued Prosperity *TAB's Education Foundation Hosts Inaugural Summit on Higher Education*

State and national postsecondary education experts gathered in Austin Nov. 30 to discuss reforms to Texas' higher education system.

With less than one-third of Texans aged 25-34 years old holding an associates degree or higher, Texas must find ways to get more Texans into and through the education pipeline.

"The stakes are high, and the cost of inaction is even higher. The continued long-term prosperity of our state is at risk," said TAB's president Bill Hammond. "Almost half of new jobs being created in Texas will require at least a bachelor's degree, we must act now."

The summit, "Reforming Higher Education: A Prerequisite for Continued Prosperity," was an inaugural event of the newly created Texas Association of Business' Education Foundation that examined ways the state and private sector can help increase the number of Texans who earn postsecondary degrees or credentials.

"Under the leadership of Governor Rick Perry and state lawmakers, Texas has prospered despite the national recession by creating a business-friendly environment," said Texas Association of Business president and CEO Bill Hammond. "We're the envy of other states, and we should do all that we can to ensure our continued prosperity. Getting more Texans into college or postsecondary education must be a state priority of the highest level."



Bill Hammond, Woody Hunt (GBC), Chancellor Kent Hance (Texas Tech), Chancellor Francisco Cigarroa (University of Texas), Chancellor Mike McKinney (Texas A&M), and Chancellor Brian McCall (Texas State University System).

During the summit, TAB and the Governor's Business Council released their legislative recommendation report on postsecondary education. The report provides a roadmap for state leaders to follow if Texas is to provide a world-class higher education system and increase the number of degrees awarded.

### WORKFORCE Q&A

*Our company has a problem with employees losing company cell phones. Can we have a policy that an employee who loses or damages company property will have to pay the cost?*

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### PRIORITIES

*With the Legislative Session starting on January 11, 2011, check out TAB's priorities for the 82nd session on TAB's website at [www.txbiz.org](http://www.txbiz.org). Click on publications to view the full report.*

### TAB MISSION

*To make the Texas business climate the best in the world.*

# WORKFORCE Q&A



Bob Nichols,  
Bracewell & Giuliani LLP

***Our company has a problem with employees losing company cell phones. Can we have a policy that an employee who loses or damages company property will have to pay the cost?***

There are major legal concerns with this kind of policy.

First, under Texas law, a deduction can only be made from an employee's wages or salary with the specific written authorization of the employee.

Also, in the case of "nonexempt" employees under the Fair Labor Standards Act (FLSA), the employer would have to ensure that no deduction would effectively deny the employee the minimum wage or required overtime premium for any workweek.

Finally, and very significantly, the policy could not be applied to salaried, exempt employees under the FLSA at all. In fact, the employer would have to ensure that it had no such policy that could even be read as being applicable to exempt employees.

The FLSA includes an exemption from the minimum wage and overtime provisions for an individual employed in a "bona fide executive, administrative or professional capacity" as defined in the FLSA. To qualify as exempt, the employee must satisfy certain tests regarding the nature of their duties, the amount of their salary, and whether the individual is paid on a "salary basis."

For an employee to be regarded as paid on a "salary basis" that individual must be paid a predetermined amount not subject to reduction because of "variations in the quality or quantity of the work performed." The worker must receive his or her full salary for any week in which the individual performs any work subject to certain narrow exceptions provided for by regulations.

The U.S. Department of Labor (DOL) has directed in opinion letters that "deductions from the salaries of otherwise exempt employees for the loss, damage or destruction of the employer's funds or property due to the employees' failure to properly carry out their managerial duties . . . would defeat the exemption because the salaries would not be 'guaranteed' or paid 'free and clear'" as required by the DOL regulations.

The fact that the employee signs an agreement allowing the deduction does not solve the problem. Further, even if the money is not deducted from a paycheck, but rather the employee pays the amount over to the employer, the salary basis rule is still violated.

Violating the salary basis rule can result in one or more employees losing their exempt status which may subject the employer to very substantial overtime liability.

Employers should carefully examine their policies to ensure that they do not have any provisions that call for, or may even permit, an improper deduction. The mere existence of such a policy can threaten the exempt status of employees.

Also, bear in mind, that some states have state laws restricting these types of deductions as well.

## ***Employment Relations questions?***

***Don't forget to call TAB's Employment Relations Hotline  
for your next HR Question  
1.800.856.6721, ext. 164 or E-mail [smcgee@txbiz.org](mailto:smcgee@txbiz.org)***

# TEXAS BUSINESS REPORT

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# Chamber Partners Conference A Success

## Execs Convene to Prepare for Legislative Session

The Texas Association of Business hosted its 7th Biennial Chamber Partners' Conference, featuring executives from the chambers of commerce throughout Texas. The chambers attending the conference represented more than 75,000 Texas companies that help drive our state's economic engine.

This event is one of the cornerstones of TAB's outreach to Texas chambers, and was highlighted by experts on an array of business issues.

"I learned a lot about what goes on with TAB's lobbying activities, our public schools and the challenges facing all Texans," said DeAnna B. Armstrong, Chamber Executive for the Graham Chamber of Commerce.

Fred Guerra, Director of Public Policy of the Dallas Regional Chamber said, "My very first participation in the TAB Chamber Partners Conference was a tremendous experience. I had the opportunity to meet wonderful chamber colleagues from across the state and gather a great deal of up-to-date information on the critical issues facing the state. TAB sponsorship of this great event is a phenomenal benefit to Texas chambers of commerce."

This conference was made possible by the generosity of our sponsors who also spoke on specific business issues at the event. Special thanks to:

- ★ Walt Baum, Association of Electric Companies of Texas;
- ★ Dick Trabulsi, Texans for Lawsuit Reform;
- ★ Stephanie Simpson, Texas Prosperity Project;
- ★ Woody Hunt, Governor's Business Council;

- ★ Kathy Durbin, representing the Texas Coalition for Worksite Wellness; and
- ★ Beaman Floyd, Texas Coalition for Affordable Insurance Solutions.

Special thanks goes also to Don Green of the Lieutenant Governor's Office who spoke of the impending budget issues in layman terms.

Chamber Executives left the presentation with a very solid understanding of the challenges facing the Texas Legislature and the effects it could have on their communities.

In addition, TAB's lobby team gave the audience the business perspective on issues such as health care, education, environmental quality, workers' compensation, and labor law issues.



(L to R) TAB Vice President Phyllis Snodgrass with Plano Chamber Board Chairman Kelly Palmer and Chamber President/CEO Jamee Jolly

Bill Hammond said that this conference is a critical grassroots tool to engage businesses and chambers, large and small, in the legislative process.

Many of the presentations and white papers are online at [www.txbiz.org](http://www.txbiz.org). Click on the blog post and available presentations will be highlighted on the agenda.

# Education Conference

## *continued from page one*

Specific legislative recommendations include:

- ★ Overhaul higher education financing model to promote increased production and keep higher education affordable;
- ★ Continue to focus the TEXAS Grant Program on rewarding needy students who complete a rigorous high school curriculum while adding a results-oriented feature to the TEXAS Grant Program; and
- ★ Assign responsibility for developmental education to community colleges, and scale innovation to fundamentally reform developmental education throughout Texas.

The full legislative recommendations, as well as presentations and materials from the higher education summit can be found online at <http://www.txbiz.org/highered>.

During the summit, Texas State Senator Judith Zaffirini (D-Laredo) and State Representative Dan Branch (R-Dallas) received TAB's Higher Education Leadership Award.

"Sen. Zaffirini and Rep. Branch are steadfast in their commitments to Texas public and postsecondary education and Texas students. They know that we cannot take for granted the significant need for further reform of our postsecondary education system. Our long-term prosperity is at stake," said Hammond.

# MEMBER PROFILE

## National Coupling Company, Inc. -Stafford, Texas

Oil and gas is still king in Texas, and National Coupling Company, Inc. (NCC), a technology and manufacturing company serving the subsea drilling and production segments of the industry, stands out for its work in the field.

Founded in 1968 and headquartered in Stafford, Texas, southwest of Houston, NCC provides commodity air coupling products for industrial applications.

Their product and work is an integral part of oil and gas production, and NCC has evolved and advanced their product line along with the rapid developments and technology changes in the oil and gas industry.

NCC knows it takes dedication and commitment to achieve the level of success the company has enjoyed in the oil and gas industry, and the company also credits Texas Association of Business with representing their interests at the state and federal levels.

For NCC, they are just as committed to the industry and individual oil and gas producers they serve. That commitment to their clients and high level of service has paid off.

In the 1970's, it was NCC's line of elastomer seal hydraulic couplings designed for use in subsea blowout preventer (BOP) control systems that gained them fame and grew the business.

In the early 1980's, subsea oil and gas production systems were being developed for increasingly deepwater applications (currently over 10,000 feet), and NCC responded again to changing demands of the industry with their development of a metal-to-metal seal hydraulic coupling design, a product that earned NCC its first patent in 1987.

Today, with more than 40 years of coupling design and manufacturing experience and more than 300 U.S. and foreign patents granted, NCC is still producing hydraulic couplings for the most critical subsea oil and gas drilling

and production applications including extreme high pressure and temperatures.

With sales revenue over \$42 million, NCC is now a mature and advanced "lean" manufacturer and has achieved the elite status of 6 Sigma in quality. In June 2009, Hunting PLC acquired NCC further strengthening and solidifying the company as an industry leader. Hunting PLC has provided energy services to the

world's leading national and international oil and gas companies for over 100 years.

"National Coupling Company is another example of the diversity and strength of TAB's members," said TAB president and CEO Bill Hammond. "Together, we're fighting for a strong pro-business climate that will allow NCC and companies like it to continue to innovate and job create for generations to come."

A proud member of the TAB for over six years and NCC's President, Gary Weathers also serves on TAB's Board of Directors. Gary strongly supports TAB's mission of making Texas business climate the best in the world. "TAB is quite a unique organization, in that it represents a broad spectrum of businesses, not just manufacturing. It is the only statewide organization that is the voice for every business in Texas."

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***— Gary Weathers  
President & CEO  
National Coupling Co., Inc.***



# Chair Report: 2010 Chair Gray Mayes



PRO-BUSINESS • PRO-TEXAS  
FOR OVER 85 YEARS

Dear Friends,

I have been honored to serve as the 2010 Chair of the Texas Association of Business (TAB). As a manager of Government Relations for Texas Instruments, I know firsthand the value that an organization such as TAB brings to employers in this great state.

Texas' status as a national economic leader was recently affirmed in a report issued by Standard & Poor's this past October. It should come as no surprise that we were one of the last states to fall into the recession and the first in leading the way out. We are fortunate that our Legislature, Governor Perry and state leadership have committed themselves to making Texas a great place to do business. Employers are continuing to invest in Texas because the costs of operations are lower; there is a favorable tort climate; right-to-work laws are in place, and a lot of talent is available in the workforce.

The TAB team is an important resource for our lawmakers. They have an in-depth and real-time understanding of the needs and challenges facing employers as changes occur in both domestic and global markets. While 2010 was not a legislative session year, TAB lobbyists personally met with over 70 state lawmakers to discuss key business issues including taxation, health care, environmental quality, workers' compensation and education. TAB also represents employers in Washington, working to assure that members of the Texas Congressional Delegation and their staff understand the impact tax, environmental and health care reform will have on cost of operations, competitiveness in domestic and global markets, and the ability to provide employee benefits.

In addition, TAB has significant connections to businesses of all sizes by virtue of the 188 Chamber of Commerce members throughout the state, as well as its partnership with the Texas Prosperity Project – a tool for employees to learn about the issues that impact them and engage in the elections process. And TAB's political arm - BACPAC - registered a 99% success rate in candidate endorsements in the 2010 General Elections based on pro-business voting records, candidate questionnaires and personal interviews.

More than anything, it is TAB's members who make the organization what it is. Lawmakers know that when TAB speaks, they have thousands of businesses behind them who employ millions of Texans. This is why I never hesitate to spread the word about TAB. There is strength in numbers and every new member will add to the power of TAB.

I am grateful to have had the opportunity to lead this organization, and want to extend a special thank you to Bill Hammond and the TAB team for their leadership, hard work and dedication. I look forward to working with TAB incoming Chairman, Brett Graham, and the rest of the Board of Directors in what promises to be an interesting legislative session in 2011.

Gray Mayes  
2010 TAB Chair



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# Talk **About** Business

## A Prerequisite for Continued Prosperity



Bill Hammond, TAB President

Take a look around, and you will see plenty of reasons to be proud of Texas. We are the unparalleled leader in job creation and economic growth, weathering a global recession far better than any other state in the union.

What steps must we take now to ensure that the prosperity of today will continue into tomorrow and for generations to come?

Arguably, the single most important key to our continued prosperity is an education system that delivers skilled, competent workforce-ready employees to Texas businesses.

While Texas in recent years made great strides in K-12 education by toughening standards and increasing accountability, we cannot rest on a high school diploma being a sufficient measure for long-term success.

To be certain, we still have much we can accomplish to keep students on the path to high school graduation, reduce the number of high school dropouts and ensure every Texas student is encouraged to pursue post-secondary education.

To continue to compete on a global scale, Texas must work to get more of its citizens educated at higher levels.

By 2018, according to the Business Roundtable, 63 percent of new or replacement jobs in the United States will require at least some college and 45 percent of those jobs will require a bachelor's degree or higher.

Today, just over 30 percent of Texans aged 25-34 hold an associate's degree or higher. Texans are less educated than many other states and internationally we fare much worse.

The problem is more pronounced among segments of the minority population. While Hispanics have increased their degree and certificate attainment levels an impressive 85 percent since 2000, they remain below state target levels.

The business community is more united than ever on the issue of workforce readiness and education reform. And, substantive, significant support for higher education reform is coalescing behind a broad-based group of the state's business leaders, policymakers and educators.

The Texas Association of Business Education Foundation's inaugural summit on higher education reform drew together some of the sharpest minds and committed leaders to discuss our path forward.

A prescription for continued prosperity takes the form of a multi-pronged reform package that focuses state resources to effectively, efficiently and immediately tackle our challenges in higher education.

A complete look at the reforms the Texas Association of Business and the Governor's Business Council recommend as well as a recap of the summit may be found online at <http://www.txbiz.org/highered>.

What can state and business leaders do to make immediate and significant progress?

- ★ Improve Developmental Education
- ★ Redesign Student Financial Aid
- ★ Increase Efficiency, Effectiveness of State Funding

Our ultimate goal in reforming higher education is to dramatically increase degreed or credentialed students so vital to fill the jobs Texas employers create. I'm fond of saying that education reform isn't about left or right, liberal or conservative, public or private.

Texas business understands that education reform is crucial to our long-term ability to prosper, create jobs and provide increased opportunity for every Texan.