

AFTER THE BOOM

Texas Economy Downshifts in Energy Bust | Annual Report 2015

Year in Review

The Federal Reserve Bank of Dallas in 2015 continued to make significant contributions toward fulfilling its mission of serving the American public by informing and influencing the nation's monetary policy, fostering financial stability and delivering high-quality services to the U.S. government and financial institutions in the Eleventh District.

One milestone for the Dallas Fed was the naming of Robert S. Kaplan as the Bank's 13th president and CEO. Before assuming the role of Bank president, Kaplan was senior associate dean at Harvard Business School and Martin Marshall Professor of Management Practice. Prior to joining Harvard, Kaplan was vice chairman of Goldman Sachs Group Inc. He is the author of several books on management and leadership. He represents the Eleventh Federal Reserve District on the Federal Open Market Committee (FOMC) and oversees the 1,200 employees of the Dallas Fed.

Since taking office in September, Kaplan has spent time meeting with business, banking and community leaders throughout the district. He delivered his first public speech as president at the University of Houston, where he discussed topics ranging from the impact of low oil prices on the district to the prospects of a slowdown in economic growth in China.

DISTINCTIVE RESEARCH

As declining oil prices continued to make headlines in 2015, the Dallas Fed played a leading role in disseminating timely and authoritative analysis on the subject. In addition to its *Quarterly Energy Update*, the Bank devoted an issue of *Southwest Economy* to the impact of low oil prices on Texas. Several subsequent articles and a [YouTube video](#) provided further analysis.

The Bank's research economists in 2015 authored 24 articles that were published in peer-reviewed journals and provided 10 chapters in books or conference volumes. Of particular prominence was the publication of *Ten-Gallon Economy: Sizing Up Economic Growth in Texas* by Palgrave MacMillan. Edited by Pia M. Orrenius, Jesús Cañas and Michael Weiss, the book details the many factors behind Texas' outsized economic growth and challenges for the future. The book's publication marked the culmination of a multiyear research project.

The Bank organized seven research events, including the conference "[Vistas from Texas: An Economic Outlook](#)," which featured regional economic updates and an expert panel on key business sectors of the Eleventh District, and the "[10th Border Economic Forum](#)," which examined the national, local and cross-border trends that impacted business conditions in the vibrant Paso del Norte region of El Paso, Texas; Las Cruces, New Mexico; and Ciudad Juárez, Mexico. Other events included "[U.S.–Mexico Manufacturing: Back in the Race](#)," which focused on changes in the global manufacturing landscape. In addition, the Dallas Fed sponsored two events as part of the Bank's Globalization and Monetary Policy Institute speaker series—one featuring economist Lars Christensen and another with Roger Lowenstein, author of *America's Bank: The Epic Struggle to Create the Federal Reserve*.

Another initiative in 2015 focused on increasing public awareness of the Dallas Fed's [Texas Employment Forecast](#). Starting in August, the Bank began posting the forecast monthly on DallasFed.org. The forecast provides a valuable resource for constituents interested in the state's economy.

In addition to the expertise provided by the Bank's research economists, the Dallas Fed gathers valuable insight from the Bank's [boards of directors](#), advisory councils and business and community leaders, who provide a grassroots perspective on the regional economy. This feedback, in turn, helps inform monetary policy through the Bank's participation in the FOMC.

FINANCIAL SERVICES

The Dallas Fed supplies currency and coin to meet demand. In 2015, the Bank paid and received 6.5 billion notes, valued at \$124 billion, and conducted transactions with more than 4,000 financial institutions and branches.

To help maintain the quality and integrity of currency and coin in circulation, the Dallas Fed destroys currency no longer fit for circulation. In 2015, the Bank destroyed about 37 million notes, valued at over \$840 million, per month. During the same period, it detected more than 700 counterfeit bills per month.

ELECTRONIC PAYMENTS

The Federal Reserve provides payments services to financial institutions to foster the integrity, efficiency and accessibility of the U.S. payments system. As new forms of electronic payments have emerged, the Reserve Banks and the Board of Governors have partnered in the role of convener, bringing the industry together to work toward consensus on a faster and more secure payments system.

To increase awareness of the advances in payments technologies and their impact on financial institutions, the Dallas Fed has conducted outreach and education related to the rapidly evolving payments landscape. In 2015, Dallas Fed experts gave 60 presentations on payments to a variety of banking, business education and consumer groups. The Bank also gained feedback on payments issues from its Corporate Payments Council, which is composed of representatives of corporations headquartered in the Eleventh District.

BANKING SUPERVISION

The Federal Reserve helps ensure a strong, stable banking system for all Americans through its bank supervision function. The Fed is responsible for the oversight of U.S. bank holding companies, foreign banking organizations operating in the U.S. and state-chartered member banks of the Federal Reserve System.

The Dallas Fed has taken a progressive approach to leveraging technology and revising processes to enhance examination efficiency. As more financial institutions store data and documents electronically, collecting the digital data has become a standard part of performing bank examinations as examiners securely exchange the electronic files with the financial institution and perform the analysis in the office. As a result, the time and number of examiners required for an exam have decreased and the disruption to bankers is minimized.

Feedback from bankers in the district has been positive regarding the off-site examination process.

ECONOMIC EDUCATION

In 2015, the Bank published *Navigate: Exploring College and Careers*, a free classroom resource for schools and community-based organizations to guide seventh- through ninth-grade students in exploring career and college opportunities. Teacher training sessions were provided for the Dallas, Houston, Katy, Round Rock, Tyler, Socorro and El Paso school districts in Texas, among others. The Bank has widely distributed the student workbook as well as a companion teacher handbook in response to demand for this much-needed tool.

A new interactive version of *Building Wealth*, the Bank's personal financial education resource, was provided online. The Bank redesigned and modernized the publication, resulting in an improved user experience that continues to help the public build personal wealth. The publication received national recognition in the annual American In-House Design Awards competition for graphic design and communication projects.

COMMUNITY DEVELOPMENT

The Bank released *Las Colonias in the 21st Century: Progress Along the Texas–Mexico Border*. The report—which marks the culmination of three years of study—examines infrastructure, housing, economic opportunity, education and health in the Texas colonias, communities that may lack some of the most basic living necessities. The Bank also hosted a conference in McAllen, Texas, launched a [website](#), and provided numerous presentations on the report.

Universities are now incorporating the colonias report and video into classroom syllabi. The Dallas Fed was invited to hold a symposium on the topic at the Woodrow Wilson International Center for Scholars in Washington, D.C.

In keeping with its mission of promoting programs and policies that improve the financial stability of low- and moderate-income households, the Dallas Fed has assumed the role of convener in an innovative approach that is reducing demand for high-priced payday lending. Collectively known as the Community Loan Centers of Texas, this network of small-dollar loan providers enables employers to offer an alternative to payday and car title loans. In October, the Dallas Fed hosted a gathering of these providers to highlight the scalability and growth of this model.

FINANCIAL INSTITUTION OUTREACH

Recognizing the importance of community bankers in promoting a stable, healthy economy, the Dallas Fed launched an initiative in partnership with the Independent Bankers Association of Texas and the Texas Bankers Association. The Banking on the Leaders of Tomorrow (BOLT) program is designed to promote understanding of the Fed among community banking's future leaders. The first BOLT seminar was held in San Antonio, with speakers that included leaders from the banking industry and the Dallas Fed, who shared insights on leadership and the Federal Reserve.

RECRUITING AND EMPLOYMENT

The Dallas Fed is committed to diversity, inclusion and mutual respect in all aspects of business. This is exemplified in the Bank's partnerships with organizations to identify and recruit employment candidates in support of its efforts to maintain a diverse workforce.

In 2015, on behalf of the Federal Reserve System, the Dallas Fed piloted a diversity career fair with a science, technology, engineering and mathematics (STEM) focus. Staff met and conducted on-site interviews with candidates from the technology and engineering fields. In addition, the Bank participated in more than 60 career fairs, conferences and engagements, and partnered with universities and other organizations to identify candidates for job openings.

TREASURY SERVICES

The U.S. Treasury announced its All-Electronic Treasury Initiative in 2010, setting a 2013 deadline for monthly federal benefit payments such as Social Security made via check to be converted to an electronic alternative. The effort is expected to save taxpayers \$1 billion over 10 years. On behalf of the Treasury, the Dallas Fed operates the U.S. Electronic Payment Solution Center, which includes a call center and website through which people can sign up for direct deposit of their federal benefit checks. The Dallas Fed continues to support this initiative because all recipients haven't yet been converted and baby-boomer retirements are expanding the pool of benefit recipients.

The Dallas Fed's Treasury Services program continued to provide exceptional support for this initiative, earning the highest possible rating from the Treasury for its call center and website operations. In 2015, efforts to improve the customer experience included implementing a more efficient call flow and introducing speech analytics, which convert spoken conversations to searchable text. Dallas Treasury Services also coordinates the design and printing of the 1.5 million monthly inserts that are included with federal benefit checks to inform recipients about the need to enroll in electronic payment.

While the operations of the Dallas Fed are complex, its mission is simple: to serve the interests of the American people. In 2015, the Bank continued to fulfill that mission, providing valuable insight on the district economy, protecting the stability of the banking system, and helping communities and individuals find solutions to economic problems in a rapidly changing world.