HOUSE RESEARCH ORGANIZATION bill analysis 4/26/1999

SB 355
Harris
(Bosse)

SUBJECT: Continuing the Incentive and Productivity Commission

COMMITTEE: State Affairs — favorable, without amendment

VOTE: 10 ayes — Wolens, Bailey, Brimer, Counts, Danburg, Hunter, D. Jones, Longoria, McCall, Merritt

0 nays

5 absent — S. Turner, Alvarado, Craddick, Hilbert, Marchant

SENATE VOTE: On final passage, March 15 — voice vote

WITNESSES: *(On House companion bill, HB 1208:)*
For — None

Against — None

On — Dan Cantreras, Texas Incentive and Productivity Commission; Jennifer Jones, Sunset Advisory Commission

BACKGROUND: The Texas Incentive and Productivity Commission (TIPC), created in 1989, consists of the governor, the lieutenant governor, the comptroller, the administrator of the former Texas Employment Commission, the chairman or designee of the Texas Higher Education Coordinating Board, and three public members appointed by the governor who have experience in the administration of bonus, incentive, or related programs used in private industry.

TIPC administers two employee incentive programs. The State Employee Incentive Program (SEIP) rewards employees for original suggestions that improve efficiency, safety, or customer service, or save money. First-year savings from a suggestion are transferred 40 percent to the participating agency, 40 percent to the originating fund, 10 percent to the employee (up to $5,000), and 10 percent to TIPC for administration. The SEIP generated more than $7.5 million in certified savings to the state from 1990 to 1998.

The Productivity Bonus Program (PBP) recognizes employees as a team, division, or entire agency for the development of productivity plans that reduce agency costs without reducing service quality. The certified savings are transferred 37.5 percent to the originating fund, 25 percent to TIPC for administration, 18.75 percent to the participating agency, and 18.75 percent to eligible employees (up to $1,000). The PBP has generated over $50 million in certified agency savings between 1992 when it was implemented and 1998.

TIPC had a budget of $542,131 for fiscal 1998-99 with six FTEs. The agency is subject to the Sunset Act and underwent Sunset Advisory Commission review during the past interim. The agency will be abolished September 1, 1999, unless continued by the Legislature.

DIGEST:

SB 355 would continue TIPC for four years, until September 1, 2003, and consolidate the agency's two incentive programs into a single program. The SEIP would be expanded to include awards to employee groups of four or more. Each employee group could receive a bonus equal to 10 percent of the resulting first-year savings, to be divided equally among the group members. The amount could not exceed $5,000 for each member of the group.

SB 355 would add a recognition award of $50 to an employee not otherwise eligible for an award who made a suggestion that conserved energy, improved safety, improved customer service, or resulted in the adoption of any other innovation or improvement approved by the commission. Any recognition award would have to be approved by the members of the commission. A maximum of 150 such awards could be granted each fiscal year.

SB 355 would eliminate delayed hiring as an eligible suggestion for reducing agency costs.

The bill would repeal the savings transfer and allocation funding mechanism for money to go to TIPC. Agencies would retain all savings generated by employee suggestions except for the portion awarded to the employee.

The membership of the commission would be restructured. The administrator of the former Texas Employment Commission would no longer be a member. The governor would appoint a chief administrative officer from an agency with more than 1,000 full time equivalent employees (FTES) and one from an agency with less than 1,000 FTES. These appointees would serve two-year staggered terms.

TIPC staff would be excluded from participating in the commission's programs.

The bill also includes standard Sunset provisions on conflicts of interest, nondiscriminatory appointments, removal and training of members, standards of conduct, separation of policymaking and administration, public testimony, complaint procedures, and equal employment opportunity.

SB 355 would take effect September 1, 1999.

SUPPORTERS SAY:

The TIPC should be continued because it has proven its worth in saving millions of dollars to the state, improving service and efficiency at state agencies. The functions of TIPC are based on successful, private-sector employee recognition and reward programs that encourage workers to help their companies save money. More than 65,000 state employees have made award-winning suggestions through this program.

SB 355 would strengthen TIPC by merging its two programs, eliminating the confusing requirements for distribution of savings among employees, agencies, funds, and TIPC. It also would give TIPC a stable source of funding by financing the agency with general revenue rather than transfers from savings that may vary year to year. Furthermore, by allowing agencies to retain savings, more agencies would be encouraged to participate in the program.

The new $50 recognition awards also would encourage employees to make suggestions to save money or improve service in areas where the actual results could be difficult to measure. The awards would allow the commission to recognize good suggestions without going through the savings certification process.

Changes to the commission's membership would remove an obsolete reference to the Texas Employment Commission, as well as give the governor flexibility in naming interested agency directors.

Both the across-the-board Sunset provisions and the provision excluding TIPC staff from receiving awards help to prevent conflicts of interest, increasing the integrity of the awards process.

The four-year Sunset time line would allow for a review of these changes, particularly the TIPC funding mechanisms, to determine whether this actually results in broader program participation and increased savings.

OPPONENTS SAY:

The funding for the TIPC should come from the savings generated by the programs rather than general revenue funds. Private and corporate employee incentive programs are generally funded by the savings they create. TIPC should continue to follow this model.

NOTES:

According to the fiscal note, it would cost approximately $230,272 per year to fund TIPC from general revenue, including $7,500 for the $50 recognition program for employee suggestions.

During the 75th Legislature, SB 784 by Barrientos, which would have funded TIPC with funds provided by other agencies depending upon the size of the agency, passed the Senate and reported favorably by the House State Affairs Committee. It died in the House when all bills on the May 27, 1997, House calendar were ruled out of order.