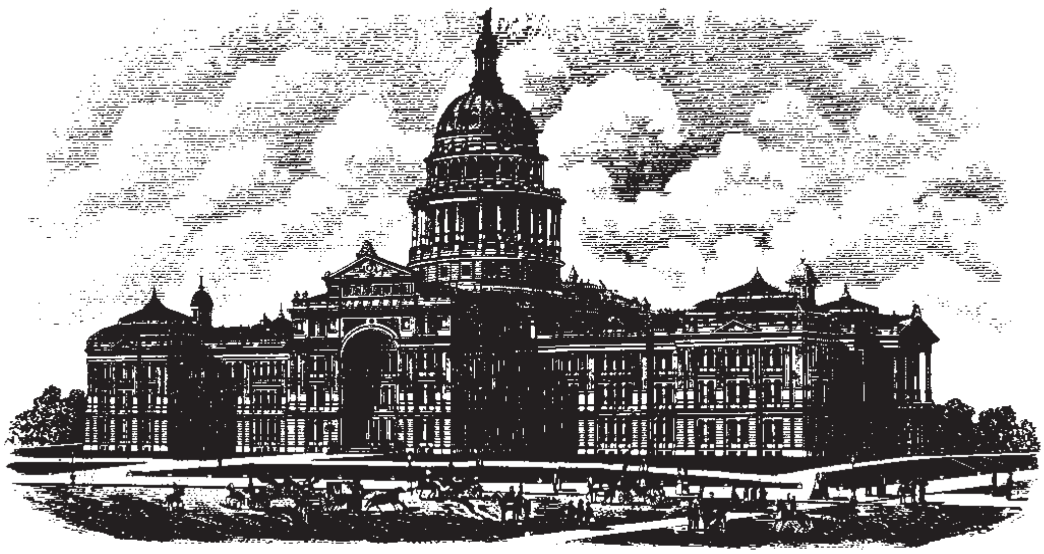
Sunset
Advisory Commission



Texas Incentive and Productivity Commission

Staff Report

1998

SUNSET ADVISORY COMMISSION

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In 1977, the Texas Legislature created the Sunset Advisory Commission to identify and eliminate waste, duplication, and inefficiency in government agencies. The 10-member Commission is a legislative body that reviews the policies and programs of more than 150 government agencies every 12 years. The Commission questions the need for each agency, looks for potential duplication of other public services or programs, and considers new and innovative changes to improve each agency's operations and activities. The Commission seeks public input through hearings on every agency under Sunset review and recommends actions on each agency to the full Legislature. In most cases, agencies under Sunset review are automatically abolished unless legislation is enacted to continue them.

Texas Incentive and Productivity Commission

Sunset Staff Report

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Executive Summary

Executive Summary

The Texas Incentive and Productivity Commission (TIPC) is responsible for administering two employee involvement programs, modeled after private sector efforts, that support the statewide goal of encouraging effective and efficient state government operations. Employee involvement programs recognize and reward state employees and agencies that suggest and implement responsible government practices.

The State Employee Incentive Program (SEIP) recognizes and rewards individual employees who generate cost savings and improve efficiency, safety, and customer service. If a suggestion is implemented and results in a monetary savings over $100, the affected agency, the originating fund, and TIPC all receive a percentage of the savings. The suggester is also eligible for an award up to $5,000. The SEIP has generated over $7.5 million in certified savings since fiscal year 1990.

The Productivity Bonus Program (PBP) is a "group incentive," "gainsharing," or "incentive pay" plan where employees as a team, division, or an entire agency, develop a productivity plan to reduce agency costs without reducing service quality. If the plan is approved by TIPC and implemented by the agency, the savings are transferred out of the agency's budget and distributed to the eligible employees, affected agency, the originating fund, and TIPC. Since its implementation in 1992, the PBP has achieved over $50 million in certified agency savings.

1. Create a single, statewide employee involvement program to recognize all aspects of employee involvement, recognition, and reward.

TIPC administers two separate programs to achieve its goal of encouraging efficient, cost saving government practices — SEIP and PBP. Although promoting and encouraging effectiveness and efficiency in state government operations is necessary, the organizational structure of both TIPC and its programs limits participation and effectiveness. The savings transfer process required for both programs is both complex and time consuming. In addition, PBP rewards unoriginal approaches to basic good management practices, including delayed hiring. These inherent inefficiencies have led to decreases in both participation and certified agency savings, thus reducing the effectiveness of the programs.

Recommendation: Abolish PBP and maintain, within SEIP, the function of recognizing and rewarding teams, divisions, or entire agencies for reducing agency costs without reducing service quality. Also, ensure that all suggestions are subject to the same eligibility requirements, including originality, and that the suggestions are shared among state agencies. Creating a single employee involvement program and removing the inherent inefficiencies, should increase participation and result in greater savings and efficiencies in state government operations.

2. Continue the Texas Incentive and Productivity Commission, with improvements, for four years.

The state has a continued interest in encouraging effective and efficient state government operations. TIPC is designed to reduce state expenditures, increase revenue, improve the quality of state services, and recognize the contributions of employees in achieving these goals. Although TIPC has achieved success through its programs, disincentives to participation in the Commission's programs, primarily the Commission's current method of finance and the savings transfer process, have resulted in TIPC not having the opportunity to reach greater levels of participation and therefore the ability to show the true impact of employee involvement, recognition, and reward programs. Additionally, the Commission's structure limits the perspective of state agency executives and contains a position that can no longer be filled. Also, allowing Commission staff to participate in the Commission's programs and having Commission members approve or deny rewards and recognition for its staff may appear as a conflict of interest.

Recommendation: Continue the functions of the Texas Incentive and Productivity Commission, with improvements, for four years. This recommendation continues the Commission's functions for only four years, to allow for a re-evaluation to determine whether changes made to remove barriers to participation actually result in broader program participation and increased savings. Improvements should include eliminating the Commission's current method of finance to remove the need for the complex transfer process. Also, restructure the Commission's membership to include two Governor-appointed agency-head representatives to improve coordination and provide expertise in relation to the implementation of TIPC's operations within state agencies. Finally, exempt the Commission's staff from participating in its own programs to eliminate any appearance of a conflict of interest.

Fiscal Impact Summary

The recommendations will not result in a significant fiscal impact to the State. The State has averaged savings of $1,278,364 through TIPC programs over the past 10 years.[1] These savings will remain in place if TIPC is continued. However, these funds would not be transferred back to the General Revenue Fund or other originating funds under this recommendation. In addition, by removing barriers to incentive program participation, significantly greater savings would be expected.

The recommendations do, however, endorse the use of general revenue to fund the Commission's operations. Because the Commission is currently funded through a portion of the savings generated through its programs, removing this method of finance and using general revenue to fund the Commission could result in an annual cost of approximately $222,872 to the State if the Commission receives general revenue appropriations.

[1] This figure is an average of SEIP savings returned to general revenue since 1989 plus an average of PBP savings from fiscal years 1992 - 1997, excluding those years in which there was a legislative mandate to generate agency savings.

APPROACH AND RESULTS

Approach and Results

The Texas Incentive and Productivity Commission (TIPC) administers two employee involvement programs that recognize and reward state employees and agencies for suggestions which support the statewide goal of encouraging responsible government operations. The State Employee Incentive Program (SEIP) is a traditional suggestion system that recognizes and rewards employees who generate cost savings and improve efficiency, safety, and customer service. The Productivity Bonus Program (PBP) allows state employees, as a team, division, or entire agency, to develop productivity plans that reduce agency costs without reducing service quality. Any savings realized through either of these programs is shared among TIPC, the originating fund, the participating agency, and the suggester(s) according to statutory transfer requirements.

The Sunset review focused on simplifying the Commission's method of finance and the two programs it administers.

In developing the approach to the review, Sunset staff evaluated the benefits of employee involvement programs, the current operating structure of the Commission, and the Commission's ability to efficiently administer the programs. The review focused on improving the operating structure of both the Commission and its programs by determining the appropriateness of the Commission's method of finance and on simplifying the programs to increase participation.

Review Activities

In conducting the review, the Sunset staff:

- Worked extensively with TIPC staff;
- Worked with staff from the Legislative Budget Board, the State Auditor's Office, the Comptroller of Public Accounts, and the Governor's Office;
- Attended Commission meetings;
- Surveyed SEIP Coordinators and PBP Contacts about the employee involvement programs and the operation of TIPC;
- Attended a SEIP Coordinator training seminar;
- Reviewed agency documents and reports including the agency's Self-Evaluation Report, state statutes, state legislative reports, previous state legislation, and Texas Attorney General Opinions;

- Researched enabling statutes of employee involvement programs in other states and conducted telephone interviews with officials of those programs; and
- Met with members of the Texas Incentive and Productivity Commission.

Results

The Sunset review began by addressing the fundamental question of whether the functions performed by the Commission — administering employee involvement programs — continue to be needed. The Texas Incentive and Productivity Commission was created to implement and administer programs to recognize and reward state employees for their suggestions on improving productivity and efficiency within state agencies. Since 1990, over $59 million in certified agency savings have been achieved through SEIP and PBP, and approximately 65,000 state employees have received monetary awards through their participation in these programs. Sunset staff concluded the State has a continued interest in encouraging responsible state government operations through employee involvement.

The State should continue recognizing and rewarding employee suggestions to improve operations.

Once the determination was made to recommend continuing TIPC to administer employee involvement programs in Texas, the review focused on whether the administrative and organizational structures of both the Commission and its two employee involvement programs were efficient and effective.

***Improve the efficiency of employee involvement programs in Texas* -** The Sunset review focused on the structure of the two employee involvement programs and their ability to achieve the purposes of reducing state expenditures, increasing revenue, improving the quality of state services, and recognizing the contributions of employees in achieving these goals. The review found that although the programs' purposes are necessary and should be continued, the structure of the programs reduces their effectiveness, especially in PBP. The complex savings transfer process required for both programs acts as a disincentive to participation. In addition, PBP rewards unoriginal suggestions that are inherent good management practices such as delayed hiring. Therefore, Sunset staff concluded that the current structure of SEIP and PBP impedes their ability to fully recognize and reward organizational efficiency and productivity in the state. **Issue 1** would combine the two separate programs into a single program by abolishing PBP, and maintaining the function of recognizing and rewarding teams, divisions, or entire agencies for reducing agency costs within SEIP. This recommendation would ensure that all suggestions would be subject to the same eligibility requirements, including originality, and that all suggestions would be shared among state agencies.

Improve the administrative and organizational structures of TIPC **-** In reviewing the administrative and organizational structures of the Commission, staff concluded that the Commission's current method of finance, which requires a complex transfer process, prevents many employees and agencies from participating in the Commission's programs. Disincentives to participation in the Commission's programs, primarily PBP, have not allowed TIPC the opportunity to reach higher levels of participation in involvement programs. Additionally, the Commission's structure limits the perspective of state agency executives and contains a position that can no longer be filled. Finally, TIPC staff regularly participate in the Commission's programs, receiving monetary awards for implemented suggestions and productivity plans. Sunset staff concluded that this practice creates an appearance of a conflict of interest by having the Commission members approve or deny rewards for its own staff. **Issue 2** recommends simplifying the savings transfer and allocation process by funding the Commission's operations through general revenue and allowing agencies to retain all of the savings achieved through the Commission's program. This issue also restructures the membership of the Commission to increase state agency perspective.

Create a single, statewide employee involvement program, to be reviewed in four years.

Recommendations

1. Create a single, statewide employee involvement program to recognize all aspects of employee involvement, recognition, and reward.
2. Continue the Texas Incentive and Productivity Commission, with improvements, for four years.

Fiscal Impact

The recommendations will not result in a significant fiscal impact to the State. The State has averaged savings of $1,278,364 through TIPC programs over the past 10 years.[1] These savings will remain in place if TIPC is continued. However, these funds would not be transferred back to the General Revenue Fund or other originating funds under this recommendation. In addition, by removing barriers to incentive program participation, significantly greater savings would be expected.

The recommendations do, however, endorse the use of general revenue to fund the Commission's operations. Because the Commission is currently funded through a portion of the savings generated through its programs, removing this method of finance and using general revenue to fund the Commission could result in an annual cost of approximately $222,872 to the State if the Commission receives general revenue appropriations.

[1] This figure is an average of SEIP savings returned to general revenue since 1989 plus an average of PBP savings returned to general revenue from fiscal years 1992 - 1997, excluding those years in which there was a legislative mandate to generate agency savings.

Issues

Issue 1

Create a Single, Statewide Employee Involvement Program to Recognize all Aspects of Employee Involvement, Recognition, and Reward.

Background

The Texas Incentive and Productivity Commission currently administers two employee involvement programs, the State Employee Incentive Program (SEIP) and the Productivity Bonus Program (PBP). These programs provide recognition and rewards to state employees who achieve organizational efficiency and productivity.

The SEIP is a traditional suggestion system open to all employees of executive and judicial branch agencies in Texas, including higher education institutions. Employees are recognized and rewarded for original ideas that generate cost savings and/or improve efficiency, safety, and customer service. To result in a cash award, a suggestion must be implemented by an agency, and the savings must be calculated, certified, and transferred from the agency's budget. If the first-year net savings total $100 or more, the savings are transferred according to statutory guidelines, as shown in the textbox, *Savings Transfer Guidelines*. For implemented suggestions that do not include any cost savings, but which increase efficiency, safety, or customer service, suggesters receive a certificate of appreciation from the Commission. The Commission also requests letters or certificates of congratulations from the Governor and the suggester's state Senator and Representative.

Savings Transfer Guidelines

State Employee Incentive Program (SEIP)
Cost Savings Allocation (for first-year net savings)
40% - to the participating agency
40% - to the originating fund
10% - to the suggester(s) (up to $5,000)
10% - to TIPC for administration of the program

Productivity Bonus Program (PBP)
Cost Savings Allocation (for first-year net savings)
37.50% - to the originating fund
25.00% - to TIPC for administration of the program
18.75% - to the participating agency
18.75% - to eligible employees (up to $1,000 each)

The PBP is open to all state agencies or divisions of agencies in the executive and judicial branches of government, excluding higher education institutions. This program is described as a "group incentive," "gainsharing," or "incentive pay" plan. For this program, employees as teams, divisions, or entire agencies, develop a productivity plan which does not need to include original ideas. The productivity plan outlines a strategy that, if implemented, would reduce agency costs without reducing service quality. As defined in statute, these cost reductions can occur by limiting overtime and consultant fees; eliminating budgeted positions, travel expenses, printing and mailing expenses; and reducing payments for advertising, membership dues, and subscriptions. Reductions can also result from increased efficiency in energy use, improved office procedures and systems, or other practices that the Commission determines to result in verifiable savings. Agencies must show how savings were achieved and that quality of service was maintained. The savings must also be certified by the agency. As shown in the textbox, *Savings Transfer Guidelines*, certified savings go through a transfer process whereby statutorily determined amounts are distributed to the agency's budget, general revenue, TIPC's budget for administration of the program, and employees as bonuses.

In developing an approach for TIPC's review, Sunset staff considered the current administration of the two employee involvement programs in Texas. The review focused on increasing access and simplifying Texas' approach to employee involvement programs and on how best to maintain the ability to reward and recognize individual employees, groups, and entire agencies.

Findings

The Sunset review sought to maintain the ability to reward and recognize good ideas to improve state government.

▼ **Maintaining employee involvement through recognition and reward opportunities is necessary to encourage effective and efficient state government operations in Texas.**

- Employee involvement programs enable agencies to recognize and reward productive and innovative employees in an era of tightened budgets and capped staffing levels. These programs also give employees the incentive to save money and improve service. From fiscal year 1990 through fiscal year 1998, more than 65,000 state employees have received cash awards through SEIP and PBP.

- Both SEIP and PBP have elements of employee involvement that should be maintained. The SEIP recognizes and rewards employees for proactively pursuing improved agency operations through original suggestions. The PBP allows for the recognition and reward of employees as teams, divisions, or entire agencies for plans which reduce agency costs without reducing service quality.

- Other states have recognized the value of employee involvement programs. At least 10 other states have employee involvement programs. The Appendix summarizes some of these programs.

▼ **Under its current structure, the Productivity Bonus Program has had limited participation and effectiveness.**

◗ Agency participation in PBP and the resulting savings have decreased significantly since 1994. Except for the years in which agency savings was mandated by the Legislature and allowed to be passed through the PBP, less than 20 percent of state agencies have participated in PBP.[1] The chart, *State Agency Participation in the Productivity Bonus Program*, illustrates agency participation over time.

State Agency Participation in the Productivity Bonus Program			
Fiscal Year	**Number of Agencies which Submitted Plans**	**Number of Agencies Eligible to Participate[2]**	**Participation Rate**
1991	1	134	0.75%
1992	93	132	70.1%*
1993	26	132	19.7%
1994	44	131	33.6%*
1995	23	128	18.0%
1996	12	129	9.3%
1997	10	129	7.8%
1998[3]	10	132	7.6%

◗ Certified savings attained through PBP have also decreased since fiscal year 1994. Significant certified savings occurred only in the years that the Legislature required agencies to submit budget reduction proposals. The chart, *Productivity Bonus Program Savings*, shows PBP savings since fiscal year 1992.

Productivity Bonus Program Savings			
Fiscal Year	**Total Certified Savings**	**General Revenue Shares**	**Percentage of the Total State Budget[3]**
1992	$38,565,928	$14,462,223	.0851%*
1993	$2,998,351	$1,124,382	.0063%
1994	$6,283,872	$2,356,452	.0119%*
1995	$2,478,965	$929,612	.0047%
1996	$686,356	$257,384	.0018%
1997	$591,701	$221,188	.0013%
1998[4]	$795,003	$298,126	.0012%

* During fiscal years 1992 and 1994, agencies were required by the General Appropriations Act to prepare savings or revenue enhancement plans to achieve specific budgetary reductions. Submission of a productivity plan was an option for fulfilling this requirement.

- The PBP savings returned to general revenue have had limited impact on the State budget. Savings attained through the program are not used in determining appropriation levels and must be lapsed into the original fund from which the savings were generated.

- TIPC, the Comptroller of Public Accounts, and numerous eligible agencies have indicated that the current savings transfer process is a major deterrent to participation in TIPC programs. From a survey of agencies, Sunset staff found that, since agencies participating in TIPC programs are required to transfer any realized savings out of their budgets, many agencies choose not to participate. The reduction in participation results in a decrease in certified savings. Issue 2 of this report addresses the problems related to the distribution of funds for the current employee involvement programs in Texas.

PBP often rewards delayed hiring, an inherent good management practice.

The Productivity Bonus Program rewards unoriginal approaches to basic good management practices.

- Key elements or ideas for improvements within productivity plans are not required to be original. Agencies may submit productivity plans that contain elements that have been previously implemented, and for which the state has already rewarded employees for the originality and creativity of the idea. As a result, multiple agencies and employees are eligible for cash awards for simply implementing ideas developed in other agencies.

- Since 1992, 67 percent of the savings realized through productivity plans have resulted from delayed hiring, a basic personnel and budget management practice. Delayed hiring does not constitute improvement in the service, productivity, and/or efficiency of a state agency, nor does it involve creativity or innovation, all of which are key elements of employee involvement. By accepting delayed hiring as an eligible element of a productivity plan, PBP monetarily rewards agencies and employees for salary savings realized through the delay in hiring of a position for a few months up to an entire year. The chart, *PBP Savings Attributable to Delayed Hiring*, shows the PBP savings resulting from delayed hiring since fiscal year 1992.

- Texas government statewide philosophy states, "State government will be ethical, accountable, and dedicated to the public being served. State government will operate efficiently and spend the public's money wisely."[7]

PBP Savings Attributable to Delayed Hiring

Fiscal Year	Total Savings Attributed to Delayed Hiring	Percentage of Savings Attributed to Delayed Hiring
1992	$30,830,299	80%*
1993	$980,470	33%
1994	$1,443,882	23%*
1995	$510,817	21%
1996	$428,645	62%
1997	$220,418	37%
1998	$379,908	48%

*During fiscal years 1992 and 1994, agencies were required by the General Appropriations Act to prepare savings or revenue enhancement plans to achieve specific budgetary reductions. Submission of a productivity plan was an option for fulfilling this requirement.

This philosophy directs state agencies and employees to exercise responsible government practices. In addition to delayed hiring, PBP monetarily rewards agencies and employees for practices that should be inherent in state agency operations. Many of the productivity plan elements could be considered responsible government practices such as reductions in printing and mailing, consultant fees, and travel.

▼ **Other evaluations have recognized problems with the Productivity Bonus Program.**

- Recognizing that productivity plans rely heavily on savings that would occur without the plans, (such as delayed hiring), the Legislative Budget Board (LBB), in 1995, recommended abolishing PBP and transferring SEIP to the Governor's office. The LBB stated that SEIP could be managed more efficiently by a state agency with statewide administrative and oversight responsibilities.[8]

- In 1996, the Texas Performance Review (TPR) recognized that the relatively small savings amounts credited to both PBP and SEIP were attributable to the agencies' reluctance to lose funds through participation in the programs. Under PBP, an agency retains only 18.75 percent of the total savings. Under SEIP, an agency retains 40 percent of the total savings. These small portions give little incentive to agencies to submit suggestions and productivity plans. TPR recommended the elimination of TIPC's current funding method and the interagency transfer process, thus allowing the agencies to retain all savings, less employee awards.[9]

◗ As shown in the textbox, *Recommendations for Improvements in the Texas Incentive and Productivity Commission*, legislation in both the 74th and 75th Legislatures recognized the inherent disincentives and ineffectiveness in the current administration of TIPC's programs and recommended improving or replacing the administration of both programs. However, none of the legislation passed.

◗ A survey of SEIP Coordinators and PBP Contacts, conducted by Sunset staff, indicated that having two similar, yet separate programs is confusing to employees. Employees do not understand the differences between the two programs, which can discourage participation.

Recommendations for Improvements in the Texas Incentive and Productivity Commission

74th Legislature:

- H.B. 3051 would have abolished both PBP and TIPC, and transferred SEIP to the Governor's Office.

- H.B. 1116 and H.B. 3087 would have allowed participating agencies to retain 100 percent of both PBP and SEIP savings within newly-created agency reinvestment accounts. Within this structure, TIPC would have been funded by an FTE-assessment charged to all eligible state agencies.

75th Legislature:

- H.B. 784 reintroduced the changes called for in H.B. 1116 and H.B. 3087 from the 74th Legislature.

Conclusion

TIPC administers two separate programs to achieve its goal of encouraging efficient, cost saving government practices. Although promoting and encouraging efficient state government operations is necessary, the current group incentive program, PBP, has low participation and resulting savings. Currently, state agencies receive very little incentive to participate in PBP. Reluctance to participate in the programs can be directly attributed to the inability to retain most of the savings, which has resulted in declining participation rates and program savings. If state agencies choose not to participate in the program, they can still implement the elements of a productivity plan internally and retain the majority of the resulting savings.

Two separate involvement programs are not necessary to achieve the goal of improving government practices.

The majority of the savings attributable to PBP consists of revenue that agencies should save without submitting a plan. Additionally, PBP monetarily rewards agencies for implementing unoriginal practices that are inherent in Texas' agency operations philosophy. However, the concept of rewarding teams, divisions, or even entire agencies for innovative approaches to government operations can be an important part of an employee involvement programs.

Recommendation

Change in Statute

- **Abolish the Productivity Bonus Program and maintain, within the State Employee Incentive Program, the function of recognizing and rewarding teams, divisions, or entire agencies for reducing agency costs without reducing service quality.**
- **Eliminate delayed hiring as an eligible suggestion for reducing agency costs.**

This recommendation would eliminate PBP from the responsibilities of the Texas Incentive and Productivity Commission and simplify Texas' approach to employee involvement programs. Texas state government philosophy already promotes limited and efficient state government as well as personal responsibility for every state employee. Abolishment of PBP as a separate program would allow the Commission staff to focus on increasing the effectiveness and efficiency of SEIP, which provides a monetary reward as well as the element of statewide recognition to state employees who pro-actively pursue improved operations. Improvements in SEIP could increase TIPC's outreach efforts. These efforts could focus on the education, promotion, and training of participating agencies' staff to enhance statewide participation and generate increased revenue.

By maintaining group participation through co-authored suggestions within SEIP, productivity plans, submitted by an agency, division, or team, would benefit from inclusion in the Statewide Evaluation Sorter and assume the requirement of originality. Team authored suggestions would be rewarded with team sharing of bonuses as long as the suggestions continued to be original revenue saving or revenue producing ideas. In addition, TIPC would be able to expand its role as a clearinghouse of expertise on employee involvement efforts. Texas would benefit from having a prominent repository of information that is able to aid state agencies in establishing internal procedures that would allow agencies to retain a majority of the benefits and resulting savings.

Fiscal Impact

The recommendation to eliminate PBP will not result in a direct fiscal impact to the State. Implementation of this recommendation would result in a hypothetical cost of $633,316 to the General Revenue Fund.[10] However, since savings realized through the PBP are not deducted from the State's budget, removal of the program will not result in an actual cost to the State. In addition, the main elements of the program will be merged with SEIP under this recommendation, resulting in a continuation of savings from those elements.

[1] 1992-1993 General Appropriations Act, Article V, Section 122 and 1993-1994 General Appropriations Act, Article V, Section 110.

[2] All figures taken from the Office of the State Auditor quarterly reports, *Full-Time Equivalent State Employees*, for the quarters ending in February of each fiscal year.

[3] These plans were approved by the Commission at the June 18th Commission meeting; savings have not been certified.

[4] The total general revenue figure used to calculate this percentage did not include general revenue dedicated funds.

[5] See footnote 2.

[6] See footnote 2.

[7] "Vision Texas: the Statewide Strategic Planning Elements for Texas State Government," *Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 1999-2003*, January 1998.

[8] *Staff Performance Report to the 74th Legislature*, Legislative Budget Board, January 10, 1995.

[9] *Disturbing the Peace, The Challenge of Change in Texas Government*, A Report from the Texas Performance Review, December 1996.

[10] This figure is an average of PBP savings returned to general revenue from fiscal years 1992-1997, excluding those years in which there was a legislative mandate to generate agency savings. See the chart, *Productivity Bonus Program Savings.*

Issue 2

Continue the Texas Incentive and Productivity Commission, with Improvements, for Four Years.

Background

The Legislature established the Texas Incentive and Productivity Commission (TIPC) in 1989 to reduce state expenditures, increase revenue, improve the quality of state services, and recognize the contributions of employees in achieving these goals.[1] TIPC replaced two previous, legislatively-created commissions charged with implementing and administrating programs designed to reward state employees and agencies for suggestions that achieved organizational productivity and efficiency. These commissions were the State Employee Incentive Commission (SEIC) and the Productivity Bonus Commission (PBC).

TIPC is composed of nine members including the Governor, the Lieutenant Governor, the Comptroller of Public Accounts, the Agency Administrator of the Texas Workforce Commission (formerly the Texas Employment Commission), the Chair of the Higher Education Coordinating Board and three public members with experience in the administration of bonus, incentive, or related programs used in private industry. The elected officials and the Chairman of the Higher Education Coordinating Board may designate a person to serve in their place. The statute also designates the office of State Treasurer as a member of the Commission, but since elimination of the Treasurer in 1996, the Commission's composition has not been restructured. The Commission carries out its charges through the administration of two programs — the Productivity Bonus Program (PBP) and the State Employee Incentive Program (SEIP). These programs are modeled after private sector efforts and a philosophy of "employee involvement," all of which support the statewide goal of encouraging responsible state government operations.

Modeled after the private sector, the State's "employee involvement" programs support the goal of a responsible state government.

Findings

▼ **A centralized employee involvement and recognition program encourages effective and efficient operations in Texas state government.**

- Employee involvement is a means of improving the service, productivity, and efficiency of state agencies and universities through creativity and innovation. State employees are recognized for efforts that involve saving money, increasing revenues, and improving services which result in the development of productive state agencies and employees. Since the inception of employee involvement programs in 1989, the State has achieved more than $59 million in certified savings.[2]

- A centralized employee involvement program is necessary to ensure that all state employees have equal access to the recognition and rewards available through employee incentive programs, regardless of the agency that employs them. Currently, state agencies are not required to recognize or reward employees for their suggestions and ideas for improvements. Therefore, without a centralized program, employees do not have equal opportunity or incentive to generate innovative ideas. Having a formal employee involvement program helps generate ideas that "might not otherwise be brought forth or seriously considered."[3]

A centralized program provides equal access for all employees and allows ideas to be shared between state agencies.

- A centralized employee involvement and recognition program provides a way for suggestions and improvements to be shared among state agencies. Currently, TIPC circulates employee suggestions that have statewide impact in a bi-monthly document, the Statewide Evaluation Sorter. This document allows state agencies to review and consider all suggestions for possible implementation to increase efficiency and effectiveness throughout the state, not just within the agency where the suggestion originated.

- A centralized employee involvement and recognition program allows for easier identification and evaluation of suggestions requiring statutory change. Currently, TIPC organizes the review and evaluation of these suggestions and prepares a summary report of these issues for legislators.

- Having a clear source of information and expertise regarding employee involvement, recognition, and reward for all state agencies is a valuable resource for agencies looking for ways to encourage, recognize, and motivate employees in an era of limited resources. This clearinghouse function can only be realized through a centralized system.

▼ The State's complicated approach to allocation of savings and funding of TIPC discourages extensive participation in TIPC programs.

- The Commission's current method of finance requires a complicated transfer process for savings realized through the agency's programs. The agency is funded by a share of savings or revenue generated from employee suggestions or productivity plans. The cost savings realized through TIPC programs are distributed according to statutory allocations, described in the textbox, *Savings Transfer Guidelines*.

  This method of finance not only requires a number of complex riders in the Appropriations Act to enable the proper transfer of savings, but prevents participating agencies from retaining 100 percent of the savings achieved. Currently, agencies are awarded only a percentage of the realized savings which must be used for productivity improvements. In addition, the full amount of savings cannot be realized in some cases due to federal and state restrictions that prevent dedicated funds from being transferred among strategies and/or programs. The Commission, a majority of state agencies, and the Comptroller's Office have indicated that the process is administratively difficult and cumbersome, and discourages participation in the Commission's programs.

Savings Transfer Guidelines

State Employee Involvement Program (SEIP)
Cost Savings Allocation (for first-year net savings)
40% - to the participating agency
40% - to the originating fund
10% - to the suggester(s) (up to $5,000)
10% - to TIPC for administration of program

Productivity Bonus Program (PBP)
Cost Savings Allocation (for first-year net savings)
37.50% - to the originating fund
25.00% - to TIPC for administration of the program
18.75% - to the participating agency
18.75% - to eligible employees (up to $1,000 each)

- In June 1995, TIPC conducted a series of "Idea Sessions" with employees who participate in the Commission's programs. Participants indicated that the requirement that agencies transfer the savings out of their budgets was a major disincentive to participation.[4]

Many agencies choose not to participate because they cannot retain most of the resulting savings.

- Additionally, a Sunset staff survey of SEIP Coordinators and PBP Contacts concluded that many agencies choose not to participate in TIPC's programs because they are required to transfer a substantial amount of the resulting savings out of their budgets. The agencies indicated that participation would probably increase if the funding structure of TIPC and its programs were modified so that agencies retained 100 percent of the savings realized through the programs.

▼ **The allocation of program savings is administratively cumbersome for agencies and the Comptroller's Office.**

- Once savings have been certified, agencies must transfer the savings to the Comptroller who is responsible for allocating the savings according to the statutorily required percentages. TIPC receives both a percentage for administration of the programs as well as the share designated as the employee(s)' award. The employee(s)' share must then be transferred back to the Comptroller because cash awards under both programs are subject to withholding of income and social security taxes. The awards are then processed as supplemental payroll and distributed to the awardee(s). This process often delays payment of awards.

17 pages of accounting policies are necessary to distribute savings from an employee suggestion.

- The savings transfer process requires a 17-page Accounting Policy Statement that must be followed to correctly complete the distribution of savings achieved through TIPC's programs. This process is constantly reviewed by the Comptroller's Office in an effort to simplify and refine the process.[5]

▼ **The statutory structure of the Commission needs updating.**

- The abolishment of the State Treasury in 1996 eliminated the Treasurer's position on the Texas Incentive and Productivity Commission. Without the Treasurer to serve, TIPC has just eight members. The statute also calls for the Administrator of the Texas Employment Commission (TEC) to serve on TIPC. However, the creation of the Texas Workforce Commission eliminated that position. Although the Executive Director of the Texas Workforce Commission fills that position on TIPC, TWC is the only state agency directly represented on the Commission.

  The unfilled position of the Treasurer, and the need to update the Agency Administrator of TEC position, create an opportunity to better reflect the experience that state agency executives could bring to the TIPC process. Relying on a single state agency administrator for input limits the Commission's perspective of TIPC programs in operating agencies.

▼ **Allowing TIPC employees to participate in the agency's reward programs creates an appearance of a conflict of interest.**

> **SEIP Program Participation Exemptions**
>
> Most state employees are eligible to participate in SEIP except an employee:
>
> - who is an elected or appointed agency official;
> - who has authority to implement the suggestion being made;
> - who is on unpaid leave of absence;
> - whose job description includes responsibility for cost analysis, efficiency analysis, savings implementation, or other similar programs in the employee's agency;
> - who is involved or has access to agency research and development information used as the basis of the suggestion; or
> - whose job description or routine job duties include developing the type of change in agency operations recommended by the suggestion.

- TIPC employees have submitted suggestions and productivity plans that must be approved by the Commission, which creates an appearance of a conflict of interest. Since the inception of the SEIP, employees at TIPC have submitted a total of 14 suggestions of which four were approved and resulted in certified savings of $806.50. The suggester and the Commission each received $80.65 and $323 was returned to the agency for administration purposes. Additionally, the agency has participated in PBP five times, with overall certified savings amounting to $27,234. The employees each received a total of approximately $1,000 for all of these plans. Currently, participation in the employee incentive program excludes any employee who meets the criteria listed in the textbox, *SEIP Program Participation Exemptions*.

Conclusion

The State has a continued interest in encouraging effective and efficient state government operations. The Texas Incentive and Productivity Commission, through the administration of its programs, is designed to reduce state expenditures, increase revenue, improve the quality of state services and recognize the contributions of employees in achieving these goals. However, disincentives to participation in the Commission's programs, primarily the Commission's method of finance and the savings transfer process, have led to TIPC not having the opportunity to reach greater levels of participation in involvement programs. With these barriers in place, TIPC has not been able to show the true impact of employee involvement, recognition, and reward programs.

In addition, the Commission's structure limits the perspective of state agency executives and contains a position that can no longer be filled. These problems should be remedied.

Recommendation

Change in Statute

- **Simplify the savings transfer and allocation process by:**
  - **allowing agencies to retain all savings except for the portion used for suggester awards; and**
  - **funding TIPC operations through general revenue without a transfer from allocated savings.**
- **Restructure the membership of the Commission by:**
  - **replacing the position of the Texas Workforce Commission (formerly the Texas Employment Commission) Agency Administrator with a Governor-appointed agency director from an agency with more than 1,000 FTEs;**
  - **replacing the position formerly held by the Treasurer with a Governor-appointed agency director from an agency with fewer than 1,000 FTEs; and**
  - **requiring that these agency director positions have two-year terms, with the term of one member expiring in February of each even-numbered year and the term of the remaining member expiring in February of each odd-numbered year.**
- **Exempt TIPC staff from participation in the Commission's programs.**
- **Continue the Texas Incentive and Productivity Commission for a four-year period to allow for a re-evaluation once barriers to participation have been removed.**

This recommendation would eliminate the Commission's current method of finance by abolishing the difficult savings transfer requirements of the Commission's programs. The recommendation would, in effect, eliminate the Commission's funding. If the Commission and its programs are to continue, the Legislature would appropriate the funding out of the General Revenue Fund, resulting in a more stable method of finance for the Commission and allowing the agency to focus more effort on administering and promoting participation in its programs.

Elimination of the transfer process, as recommended, would allow agencies participating in TIPC's programs to retain the majority of any realized savings, thus increasing the incentive to participate. Participating agencies would be able to reinvest the savings internally according to their budgetary needs.

Restructuring the Commission membership to include two Governor-appointed agency head representatives from agencies eligible to participate in the program, would improve coordination and provide expertise in relation to the implementation of TIPC's operations within state agencies. One of these representatives should represent an agency with more than 1,000 FTEs and the other, an agency with fewer than 1,000 FTEs. The Governor would rotate these positions among eligible agency heads every two years.

This recommendation would also exempt the staff of the Commission from participating in its own programs, eliminating any appearance of a conflict of interest. Although the agency should continue to improve agency operations internally, TIPC staff would not be eligible for any monetary recognition or reward.

This recommendation would continue the functions of the Texas Incentive and Productivity Commission with its existing authority to administer the SEIP for four years. This recommendation only continues the Commission's functions for four years, to allow for a re-evaluation to determine whether changes made to remove barriers to participation actually result in broader program participation and increased savings.

The Commission has never had the opportunity to determine true participation levels or the full impact of its incentive programs due to barriers that would be removed if the recommendations in this report are enacted. A four-year period would provide an appropriate timeframe to evaluate the benefits of the employee involvement program. In this re-evaluation, TIPC will need to be reviewed for increased participation in its programs, increases in the amount of certified savings achieved through the programs, and expansion of TIPC's role as a clearinghouse of information on employee involvement and recognition for other state agencies.

Fiscal Impact

The recommendation will not result in a significant fiscal impact to the State. The State has averaged savings of $1,278,364 through TIPC programs over the past 10 years.[6] These savings will remain in place if TIPC is continued. However, these funds would not be transferred back to the General Revenue Fund or other originating funds under this recommendation. In addition, by removing barriers to incentive program participation, significantly greater savings would be expected.

The recommendation does, however, endorse the use of general revenue to fund the Commission's operations. Because the Commission is currently funded through a portion of the savings generated through its programs, removing this method of finance and using general revenue to fund the Commission could result in an annual cost of approximately $222,872 to the State if the Commission receives general revenue appropriations.

1 Texas Government Code, Chapter 2108.022

2 Page 1, TIPC's Self-Evaluation Report, Sunset Review, 1997.

3 Page 19, TIPC's Self-Evaluation Report, Sunset Review, 1997.

4 Page 22, TIPC's Self-Evaluation Report, Sunset Review, 1997.

5 Interview with Fund Accounting and Appropriation Control Division, Office of the Texas Comptroller, June 12, 1998.

6 This figure is an average of SEIP savings returned to general revenue since 1989 plus an average of PBP savings returned to general revenue from fiscal years 1992 - 1997, excluding those years in which there was a legislative mandate to generate agency savings.

ACROSS-THE-BOARD RECOMMENDATIONS

Texas Incentive and Productivity Commission		
Recommendations		**Across-the-Board Provisions**
		A. GENERAL
Already in Statute	1.	Require at least one-third public membership on state agency policymaking bodies.
Apply	2.	Require specific provisions relating to conflicts of interest.
Apply	3.	Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Not Applicable	4.	Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Apply	5.	Specify grounds for removal of a member of the policymaking body.
Apply	6.	Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Apply	7.	Require training for members of policymaking bodies.
Apply	8.	Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Apply	9.	Provide for public testimony at meetings of the policymaking body.
Apply/Modify	10.	Require information to be maintained on complaints.
Apply	11.	Require development of an equal employment opportunity policy.

BACKGROUND

Background

Agency History

The Legislature created the Texas Incentive and Productivity Commission (TIPC) in 1989 to administer employee involvement programs, modeled after private sector efforts, that support the statewide goal of encouraging effective and efficient state government operations. TIPC replaced two previous, legislatively created commissions charged with implementing and administrating programs designed to reward state employees and agencies for suggestions achieving organizational productivity and efficiency. These commissions were known as the State Employee Incentive Commission (SEIC) and the Productivity Bonus Commission (PBC).

The Legislature created TIPC in 1989.

The SEIC, created by the Legislature in 1985, promoted the reduction of state expenditures, the increase in state revenues, and improvement in the quality of state services. The SEIC, consisting of nine members, was responsible for operating the State Employee Incentive Program (SEIP), an employee incentive suggestion system designed to recognize and reward individual state employees who pursued the goals of the SEIC. This program was operated using the Commission members' staff and did not receive funding for operations until 1988.

In 1986, continuing the goal of effective and efficient state government operations, the Legislature created the PBC. The PBC was required to develop a Productivity Bonus Program (PBP) to recognize and reward eligible state agencies or state agency divisions that increased productivity without decreasing the level of services. The nine-member Commission was staffed and operated by the Governor's Office of Budget and Planning; however, the commission received no appropriations. Without funding, no substantial activity occurred during the first two years of operation.

In 1988, the Chair of the PBC requested an Attorney General Opinion concerning the authority of the PBC.[1] The Attorney General ruled that the composition of the PBC was unconstitutional. Because the PBC was an executive agency and exercised functions of the executive branch of government, the inclusion of the State Auditor and the Director of the Legislative Budget Board — members appointed by and answerable only to the Legislature — violated the doctrine of separation of powers; therefore, the PBC was abolished.

In 1989, the Legislature transformed the former SEIC into the Texas Incentive and Productivity Commission (TIPC) and added the bonus program to the mission of the new agency. Currently, TIPC is responsible for the administration of both programs under the former Commissions. The structure of each of these programs and TIPC's activities to carry them out are described in the following material.

State Employee Incentive Program (SEIP)

The SEIP is a traditional suggestion system which recognizes and rewards employees who generate cost savings and improve efficiency, safety, and customer service. This program is open to all employees of executive and judicial branch agencies in Texas, including higher education institutions. Each participating agency is required by statute to designate a SEIP Coordinator to be responsible for the basic operations of the program within the agency including promoting participation; determining eligibility; obtaining an impartial evaluation for suggestions; and developing, tracking, and verifying savings. The chart, *State Employee Incentive Program*, depicts the SEIP suggestion and approval process.

Once an employee submits a suggestion to the agency's SEIP Coordinator, an independent, internal evaluation of the individual employee and the suggestion is conducted to determine initial eligibility of both, according to statutory criteria. For employee and suggestion eligibility criteria, see the textbox, *SEIP Eligibility Criteria*. The Coordinator must forward the suggestion to TIPC within 90 days of receipt. If TIPC confirms the eligibility of the employee and the suggestion, the suggestion is placed on the agenda for the next TIPC Commission meeting. If the Commission approves the suggestion, the suggester receives a certificate and congratulatory letter from the Commission. The Commission also requests letters or certificates of congratulations from the Governor and the suggester's state Senator and Representative.

SEIP Eligibility Criteria

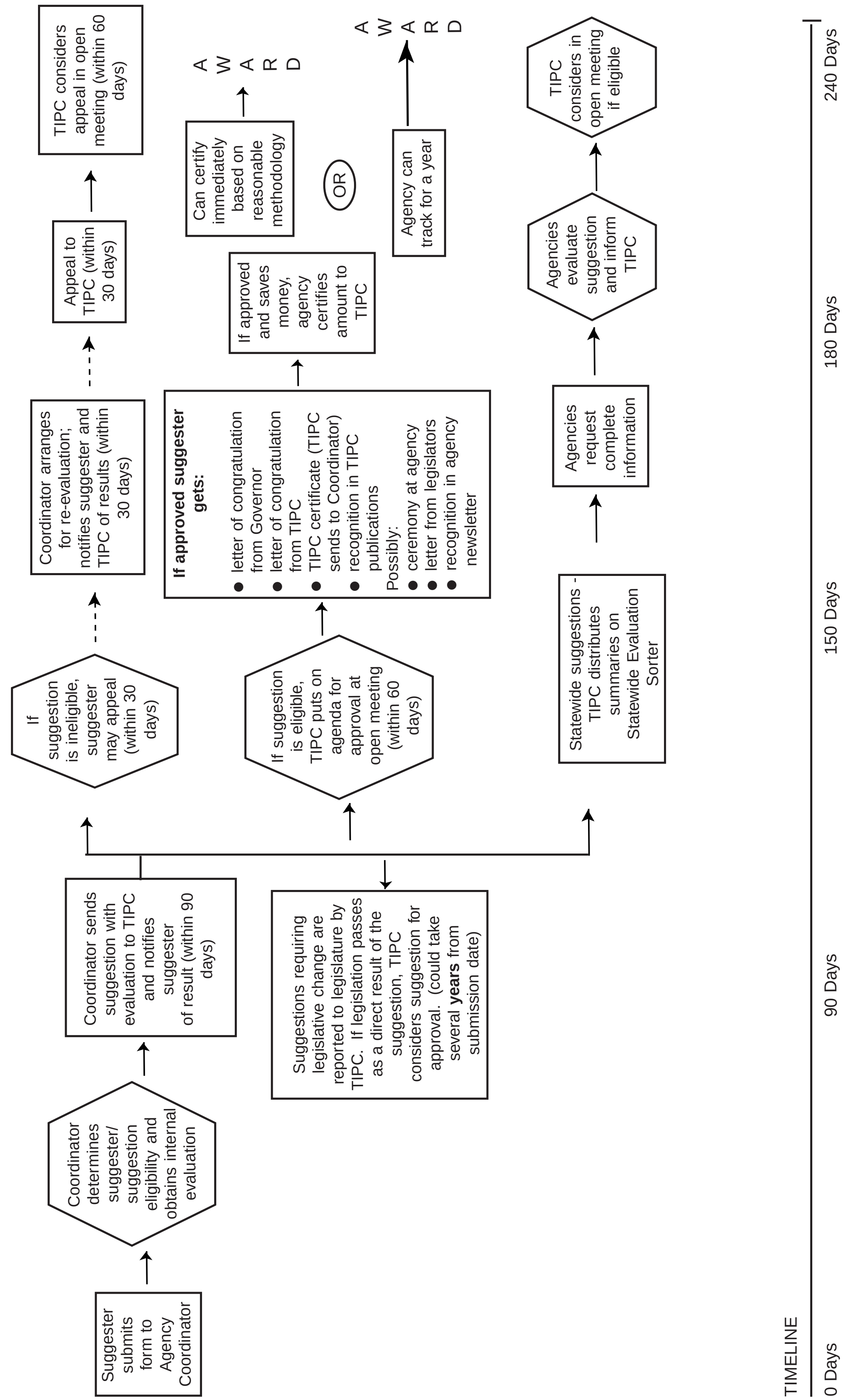
Employees are eligible to submit suggestions if:

- they do not have authority to implement the suggestion being made;
- they are not on an unpaid leave of absence;
- their job description does not include responsibility for cost analysis, efficiency analysis, savings implementation, or other similar programs;
- they are not involved in or do not have access to agency research and development information used as the basis of the suggestion; and
- their job description or routine duties do not include developing the type of change in agency operations recommended by the suggestion.

Suggestions are eligible for consideration if they:

- are original;
- propose a reasonable implementation method;
- have been signed by the employee;
- have been submitted to the designated agency coordinator in the form prescribed by the Commission; and
- describe the type of cost savings or other benefit the employee foresees if the suggestion is adopted.

State Employee Incentive Program



Examples of SEIP Suggestions

SEIP suggestions with intangible results:

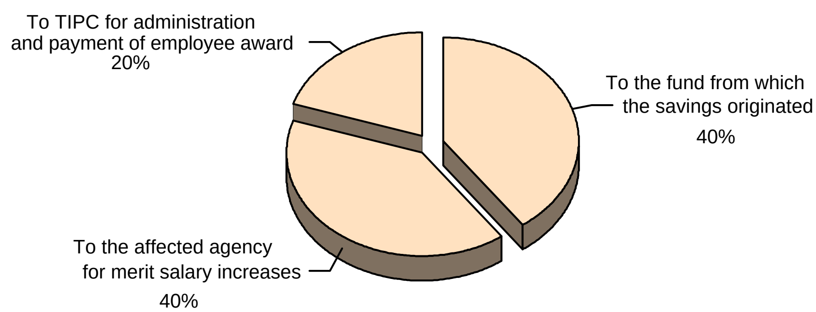
- Employees at the Texas Department of Health suggested putting the SEIP suggestion database on-line which improved customer service.
- Employees at the Texas Department of Criminal Justice suggested facilitating home visits by adding a data field to the residence screen listing the subdivision which in-creased efficiency and productivity.
- An employee at the Texas Department of Health suggested posting signs asking visitors to use the electric door only when necessary which saved energy.

SEIP suggestions resulting in hard-dollar savings:

- An employee at the Texas Department of Health suggested terminating a producer's contract and creating video news releases in-house, resulting in a savings of $350.30.
- Employees at the Texas Department of Licensing and Regulation suggested replacing metal industrialized housing decals with self-adhesive vinyl decals, resulting in a savings of $2,138.33.
- An employee at the Texas Department of Criminal Justice suggested replacing deteriorating equipment with grain containers designed for use with existing flat-bed trailers, instead of purchasing new belly-dump trucks. This suggestion resulted in a savings of $192,710.

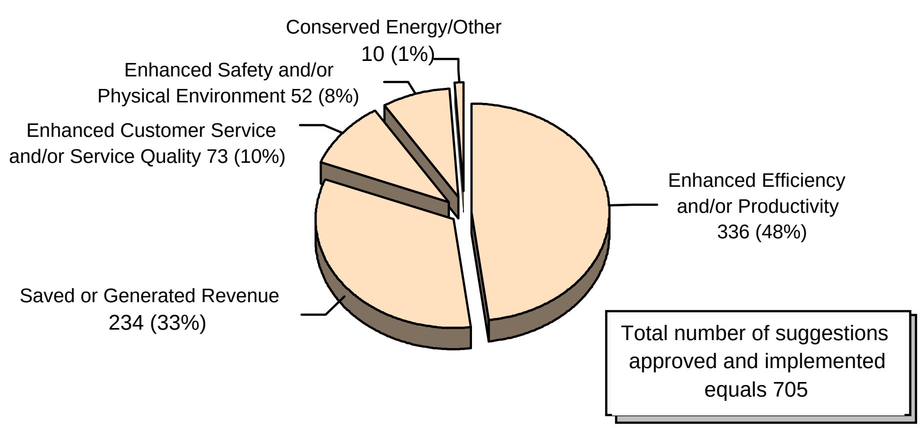
If the approved suggestion saves money in an amount over $100, the suggester is eligible for a cash award as well. To result in a cash award, the suggestion must be implemented by an agency, and the savings must be calculated, certified, and transferred from the agency's budget according to the statutorily designated formula described in the chart, *Savings Allocation for State Employee Incentive Program*. The suggester is eligible to receive 10 percent of the net first-year savings only, up to a maximum amount of $5,000. Any savings realized in subsequent years is lapsed into the agency's originating fund.

Savings Allocation for State Employee Incentive Program (transfer of first-year net savings)



The SEIP has generated over $7.5 million in certified agency savings in fiscal years 1990 through 1997. The chart, *Characteristics of State Employee Suggestions Fiscal Year 1990 -1997,* shows the characteristics of all approved and implemented suggestions. The textbox, *Examples of SEIP Suggestions,* describes some examples of implemented SEIP suggestions.

Characteristics of State Employee Suggestions Fiscal Years 1990-1997

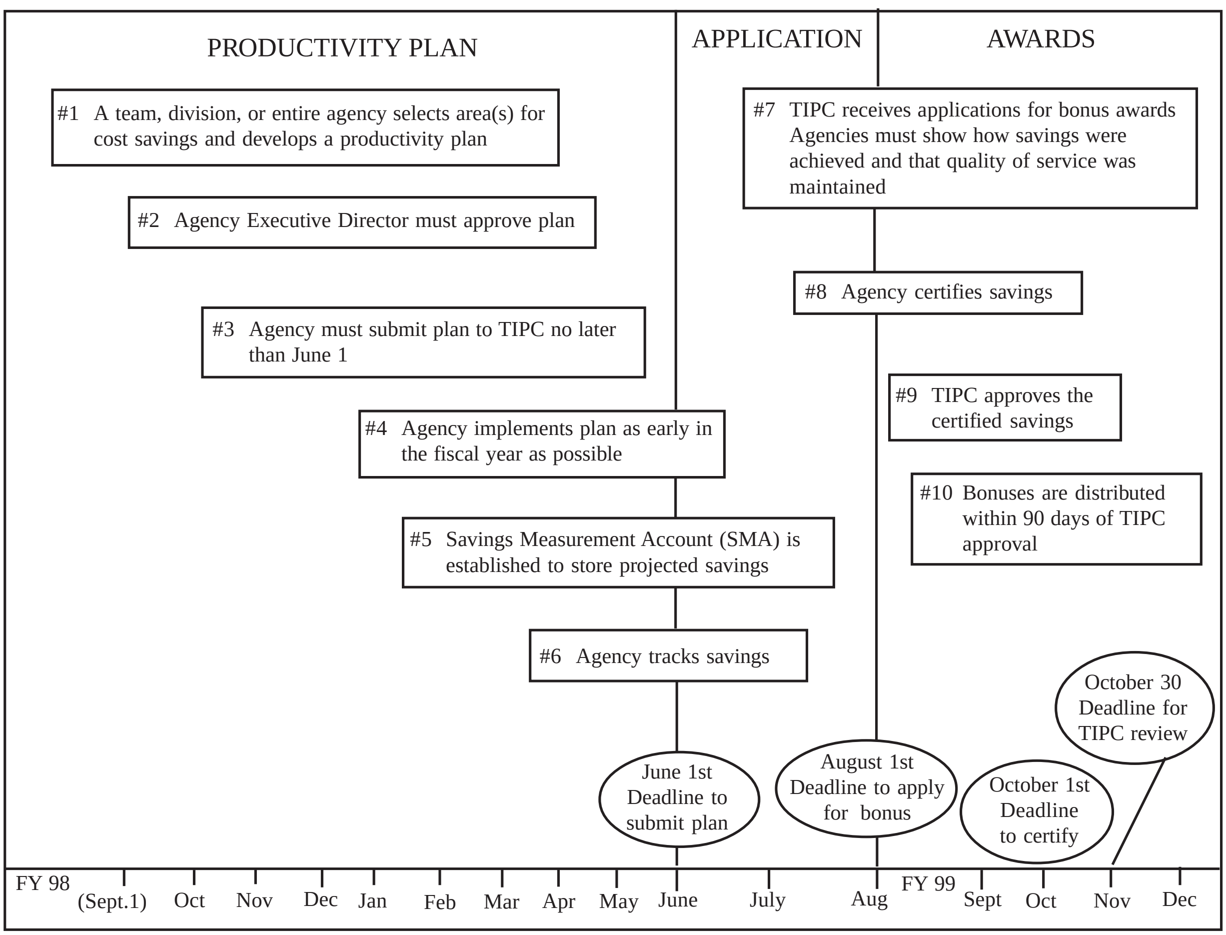


Productivity Bonus Program (PBP)

The PBP is open to state agencies or divisions of agencies in the executive and judicial branches of government, excluding higher education institutions. This program is described as a "group incentive," "gainsharing," or "incentive pay" plan. For this program, employees, as a team, division, or entire agency, develop a productivity plan. The productivity plan outlines a strategy that, if implemented, would reduce agency costs without reducing service quality. Reductions in costs can occur through reductions in overtime, consultant fees, budgeted positions, travel expenses, printing and mailing expenses, and payments for advertising, membership dues, and subscriptions. Reductions can also result from increased efficiency in energy use, improved office procedures and systems, or other practices that result in verifiable savings as determined by the Commission.

The chart, *Productivity Bonus Program,* depicts the PBP suggestion and approval process. Productivity plans must be submitted to TIPC by June 1

Productivity Bonus Program



Examples of Productivity Plans

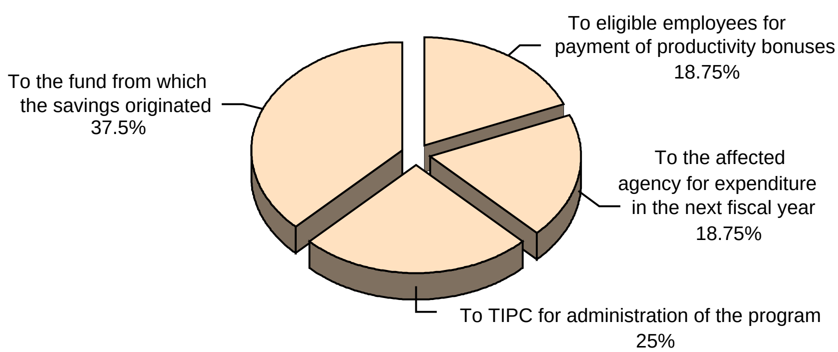
The Texas Real Estate Commission submitted a productivity plan to pursue more efficient utilization of its utilities. An energy analysis was performed and its recommendations were implemented. The agency retrofitted lighting fixtures, resulting in more efficient energy use, improved lighting quality, and reduced energy consumption.

The Secretary of State submitted a productivity plan with elements of delayed hiring, reduced travel costs, use of internet to distribute forms, and reduced mailing costs. The certified savings amounted to $159,109 and each of the 256 employees received an average of $116.53.

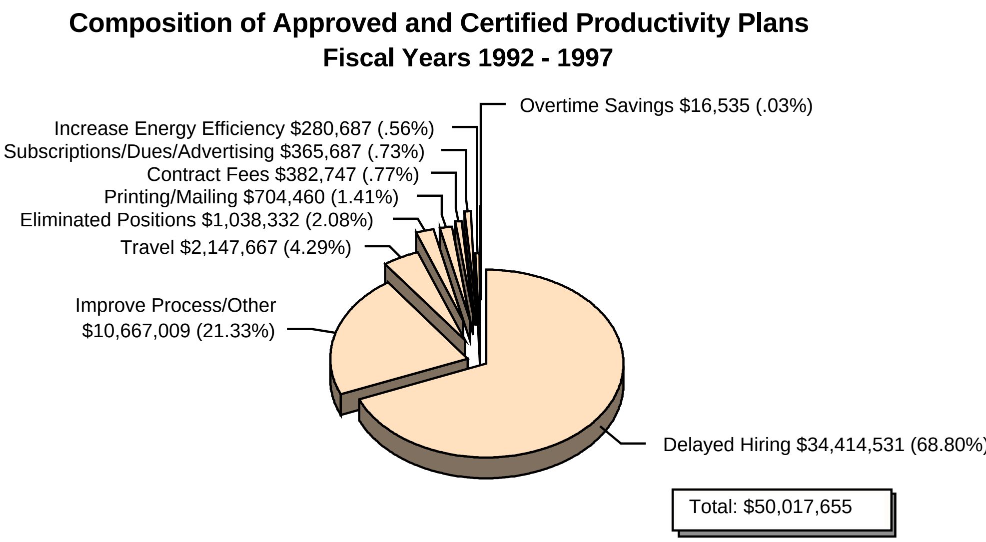
for approval, but the plans are implemented by the participating agency as early in the fiscal year as possible. The savings from these plans are tracked throughout the year and placed in a Savings Measurement Account, established by the participating agency. In some instances, reasonable methodology can be used to determine the amount of savings prior to actual certification. The textbox, *Examples of Productivity Plans*, depicts examples of plans submitted to PBP.

At the end of the fiscal year, the participating agency certifies the net savings/revenue from the plan and applies to TIPC for approval of the payment of productivity bonuses. The agency must show how savings were achieved and that quality of service was maintained. If approval is received, the certified net savings/revenue in the Savings Measurement Account are distributed according to the statutorily designated formula, described in the chart, *Savings Allocation for Productivity Bonus Program*. Awards to the eligible employees of the participating agency cannot exceed $1,000. According to statute, the intent of the Legislature is that a state agency or division that reduces its cost of operations and qualifies for a productivity bonus may not be penalized for those savings through a corresponding reduction in appropriations for the subsequent fiscal biennium.[2]

Savings Allocation for Productivity Bonus Program
(transfer of first-year net savings)



The PBP has generated savings totalling over $50 million in fiscal years 1992 through 1997. The chart, *Composition of Approved and Certified Productivity Plans Fiscal Years 1992 - 1997,* shows the characteristics of all approved and certified productivity plans.



Policymaking Body

The Texas Incentive and Productivity Commission is currently composed of eight statutorily designated members including:

- the Governor,
- the Lieutenant Governor,
- the Comptroller,
- the Agency Administrator of the Texas Workforce Commission (formerly the Texas Employment Commission),
- the Chairman 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.

The statute also designates the office of State Treasurer as a member of the Commission, but since elimination of the Treasurer in 1996, the Commission's composition has not been restructured.

Commission members who are elected officials may designate another individual to act as a voting member in their absence. The statute establishes the Governor, or his designee, as TIPC's presiding officer and the Commission elects a vice chair for a one-year term. The three public members each serve a two-year term, with the term of one member expiring in February of each even-numbered year and the terms of the remaining two members expiring in February of each odd-numbered year.

The Commission's major functions include:

- hiring an Executive Director,
- developing program and agency policies,
- approving rules for programs and administration of the agency, and
- approving employee suggestions and productivity plans for awards and bonuses.

TIPC conducted five open meetings in fiscal year 1997. To approve suggestions and productivity bonus applications in a timely manner, the Commission generally meets every two or three months. The Commission has no appointed standing committees or advisory committees; however, should additional committee input be needed, the Chair may appoint a subcommittee.

Funding

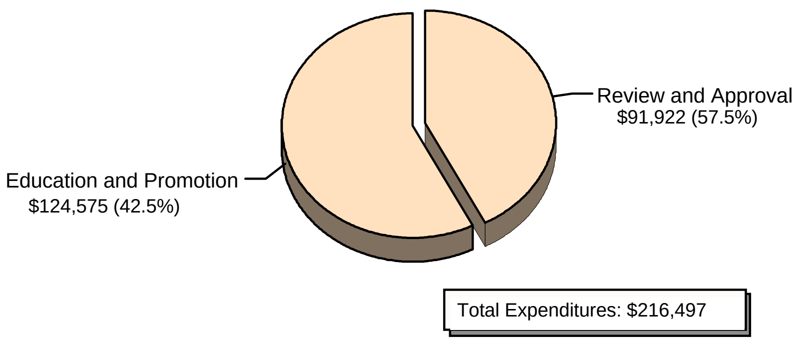
The Commission's current method of finance consists of appropriated receipts from three basic components — a statutory share of savings or revenue transferred by agencies from suggestions implemented through the SEIP; a statutory share of savings transferred by agencies from implemented productivity plans; and private contributions and appropriated receipts from training conference fees. In fiscal year 1997, the funds received by TIPC from SEIP and PBP totaled $216,497. TIPC did not receive any private contributions or appropriated receipts from training conference fees in fiscal year 1997.

TIPC's goals as identified in the Commission's strategic plan are:

- to encourage the development of productive and innovative state agencies and employees; and
- to recognize employees for their efforts to save money, increase revenues, and improve services.

In fiscal year 1997, the agency implemented these goals through two strategies — education and promotion, and review and approval. The chart, *TIPC Expenditures by Strategy - Fiscal Year 1997*, details the percentage of the agency's total expenditures for each strategy.

TIPC Expenditures by Strategy
Fiscal Year 1997



HUB Expenditures

The Legislature has encouraged agencies to make purchases with Historically Underutilized Businesses (HUBs). The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews. The chart, *Purchases from HUBs - Fiscal Year 1997*, provides detail on the Commission's HUB spending by type of contract and compares these purchases with the statewide goal for each spending category. The chart shows that in fiscal year 1997, the Commission exceeded the statewide goal in the applicable categories.

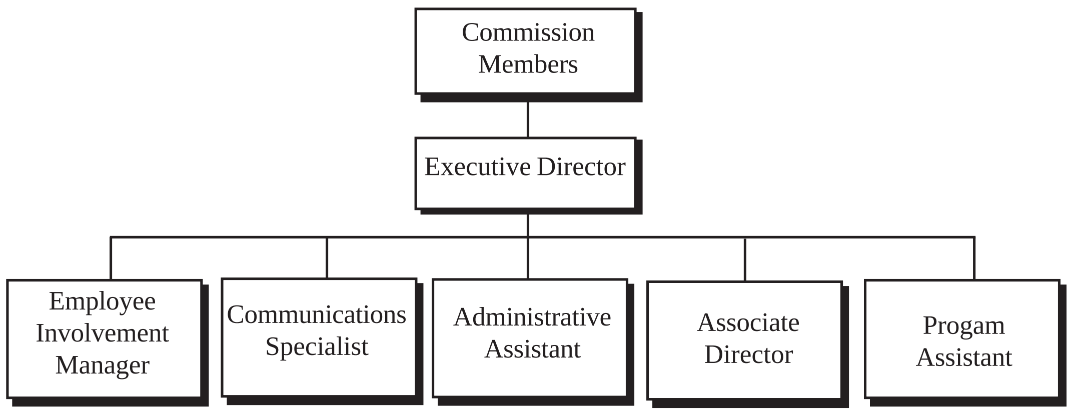
Purchases From HUBs
Fiscal Year 1997

Category	Total $ Spent	Total HUB $ Spent	Percent	Statewide Goal
Heavy Construction	NA	NA	0%	11.9%
Building Construction	NA	NA	0%	26.1%
Special Trade	NA	NA	0%	57.2%
Professional Services	NA	NA	0%	20.0%
Other Services	$6,647	$4,002	60.2%	33.0%
Commodities	$37,726	$6,874	18.2%	12.6%
Total	$44,373	$10,876	25%	

ORGANIZATION

TIPC is budgeted for six full-time equivalent employees, with all six positions filled in fiscal year 1997. The Commission's staff is located in Austin and TIPC maintains no field offices. The chart, *Texas Incentive and Productivity Commission Organizational Chart*, illustrates the organizational structure of the agency.

Texas Incentive and Productivity Commission
Organizational Chart



A comparison of the Commission's workforce composition to the minority Civilian Labor Force is shown in the chart, *Texas Incentive and Productivity Commission Equal Employment Opportunity Statistics - Fiscal Year 1997*. The Commission's female workforce is most reflective of the Civilian Labor Force.

Texas Incentive and Productivity Commission
Equal Employment Opportunity Statistics
Fiscal Year 1997

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	State Goal	Agency	State Goal	Agency	State Goal
Officials/Administration	2	0%	5%	0%	8%	100%	26%
Professional	2	0%	7%	50%	7%	50%	44%
Technical	NA						
Protective Services	NA						
Para-Professionals	1	0%	25%	30%	30%	100%	55%
Administrative Support	1	100%	16%	17%	17%	100%	84%
Skilled Craft	NA						
Service/Maintenance	NA						

Agency Operations

TIPC administers its programs through a network of liaisons in almost 200 state agencies and public universities. TIPC relies on this network of liaisons, consisting of SEIP Coordinators and PBP Contacts, to assist the Commission in realizing its primary goal of encouraging and recognizing efforts to save money, increase revenues, and improve services within state government.[3] The Commission has adopted two strategies to achieve this goal. These strategies are:

- Education and Promotion — an external strategy to promote and to educate state employees about the SEIP and PBP programs; and
- Review and Approval — an internal strategy to review and consider employee suggestions, productivity plans, and productivity bonus applications within specified time frames.

Elements of both strategies are required to administer TIPC's programs. The Commission splits its time and efforts between these two strategies in support of the agency's programs. TIPC's operations in pursuit of the two strategies are described in the following material.

Education and Promotion

TIPC staff conduct training and promotional activities to educate employees and Program Coordinators and Contacts about SEIP and PBP, and to reach estimated participation levels in the programs.[4] TIPC staff serve as the point of contact for the SEIP Coordinators and PBP Contacts for any questions or needed technical assistance regarding agency implementation of the programs. Commission staff also provide brochures, posters, exhibits, and presentations, and publish a bi-monthly newsletter about the Commission and its programs to help SEIP Coordinators and PBP Contacts publicize and administer the programs. In fiscal year 1997, approximately 58 percent of the Commission's budget was expended on education and promotion, which included providing over 3,000 training hours.

To provide education and promotion for the programs, the Commission has created a web site on the Internet to offer basic information about the programs and has designed a computer-based multimedia program as part of a traveling exhibit used to educate employees across the state about TIPC's programs.

To further the education and promotion of the agency's programs, TIPC coordinates with a number of other agencies and organizations. The Texas Department of Licensing and Regulation assists the agency in establishing necessary computer technology. TIPC also coordinates with the Governor's Center for Management Development, the Governor's Executive Development Program, and agency training organizations to circulate information about the programs. Finally, Southwest Airlines underwrote the production of a promotional video to market TIPC's programs to new audiences throughout the state.

Review and Approval

Commission staff administer SEIP and PBP, including the staff review and Commission consideration of employee suggestions, productivity plans, and productivity bonus applications.[5] For each of the programs, Commission staff work with participating agencies in developing necessary elements of the employee suggestions and productivity plans to meet statutory eligibility criteria. TIPC staff then present suggestions and productivity plans for approval at Commission meetings. In fiscal year 1997, TIPC reviewed 678 employee suggestions of which 66 were approved. During this same period, 13 productivity plans were both received and approved.

Additionally, TIPC staff review applications for productivity bonuses and process the cash awards for approved employee suggestions. Processing cash awards includes certification of savings/revenue by the implementing agency, a review of the calculation and methodology, and transfer of the savings according to statutory allocations. Staff work with the implementing agencies' fiscal and budget staff and with the Comptroller's Office to process the transfers. In fiscal year 1997, $668,279 in savings were certified through SEIP and $591,701 through productivity plans.

Within SEIP, employees can submit suggestions that not only pertain to their own agency, but to any other state agency as well. The Commission coordinates the review process for suggestions that have statewide impact. Commission staff circulate these suggestions to appropriate state agencies in a bi-monthly document entitled, the Statewide Evaluation Sorter. The Statewide Evaluation Sorter is used to distribute employee suggestions with possible statewide impact to Texas state agencies. TIPC sends the Sorter to participating agency Coordinators who review the idea summaries and determine whether their agency should evaluate any of the suggestions. If an agency finds a particular suggestion with the potential to produce savings within the agency's programs and/or operations, the agency's SEIP Coordinator may request TIPC staff to send a copy of the full suggestion.

However, once an agency chooses to review a suggestion in its entirety, that agency must treat the idea as if it had been submitted by one of the agency's own employees and conduct a full internal evaluation of the suggestion. Suggesters are eligible to receive an award each time their suggestion is implemented, regardless of the implementing agency. The textbox, *Statewide Evaluation Sorter,* shows a few SEIP suggestions that were implemented by multiple agencies after inclusion in the Statewide Evaluation Sorter.

Also within SEIP, Commission staff forward all suggestions which require a legislative change for implementation to the appropriate parties for review, including any affected agencies. TIPC is statutorily required to include these suggestions in a report which is submitted to the Legislature. For these suggestions to qualify for an award, legislation must be passed as a direct result of the suggestion.[6] Commission staff track these suggestions and verify that this requirement has been met before considering legislative suggestions for award approval.

Statewide Evaluation Sorter

- In 1991, a Texas Workforce Commission (formerly the Texas Employment Commission) employee submitted a suggestion to recycle optic cartridges on laser printers. This suggestion was adopted by four other agencies as a result of the Statewide Evaluation Sorter. Total savings equaled $4,016.28; the employee's award equaled $401.63.
- An employee at the Texas Department of Housing and Community Affairs designed forms to survey employees regarding disabilities as requested by the Governor's Committee on People with Disabilities. Three additional agencies recommended using these forms for which the employee is eligible for an award.

1 Texas Attorney General Opinion JM-993

2 Texas Government Code § 2108.110

3 Appropriations Act, 7-1-97, page I-60

4 Page13, TIPC Self-Evaluation Report, Sunset Review, 1997.

5 Ibid.

6 Page14, TIPC Self-Evaluation Report, Sunset Review 1997.

Appendix

Employee Suggestion Programs in Other States

	Location and Number of Programs	Mandate	Cash Rewards for Non-Monetary Savings	Amounts of Cash Awards	Funding
CA	A single Merit Awards program for employee suggestions that improve state operations. The Merit Award Board within the Department of Personnel Administration receives suggestions that impact more than one state agency; suggestions that pertain only to an employee's department are submitted to an agency Merit Award Administrator.	Voluntary	None	Awards for improved procedures, improved safety, or tangible benefits based on cost savings.	Information not available.
FL	An employee suggestion program, the Meritorious Service Awards Program, located in the Florida Department of Management Services.	Mandatory	Cash awards up to $1,000 are available for suggestions that contribute to efficiency, economy, and improved state operations. Recognition awards for longevity and job performance are available.	Awards of 10 percent (up to $25,000) of the first year's savings are available for suggestions resulting in quantifiable benefits. The Legislature may award more.	Cash awards are paid by the implementing agency or specific appropriations for the program. Administrative expenses are paid by the various agencies on a pro rata share of the costs.
KS	An employee Suggestion Award Program (SAP) administered by the Employee Award Board. Staff support is provided by the Department of Administration, Division of Personnel Services. Suggestions are submitted directly to the Board and forwarded to agencies for appraisal. A final decision on adoption of a suggestion is made by the statewide committee of state employees.	Voluntary	Special monetary awards given by the Board for intangible suggestions that improve employee morale and increase safety are available.	Cash awards up to 10 percent of first year savings with a maximum of $5,000, and a minimum of $25 are given at the discretion of the Employee Award Board. The suggester's supervisor is awarded an additional 10 percent for that paid to the employee.	Payment of cash awards may come from direct appropriations, but most awards are funded from the affected agency's savings. Approximately 84 percent of the funding is requested from agencies which benefit from suggestions. Funding is also appropriated to the Employee Award Board to pay for awards at their discretion.

Location and Number of Programs		Mandate	Cash Rewards for Non-Monetary Saving	Amounts of Cash Awards	Funding
NC	An Employee Suggestion System (ESS) operated by the NC Department of Administration's Executive Secretary.	Each agency has a coordinator.	Employees whose ideas for which monetary value cannot be determined or for intangibles such as improved morale and safety, may be eligible for annual leave (up to 3 days) or recognition certificates. Intangible benefits are rewarded with non-monetary awards based on a point system.	Under the ESS, employees are eligible to receive 25 percent of the first year savings, up to a maximum of $5,000.	Information not available.
	A State Employee Incentive Bonus Program (SEIB) is operated by the Department of Administration, Division of Human Resource Management.	There is a State Coordinator and a coordinator within each agency.		Under SEIB, employees are eligible for 20 percent of first year net savings, up to $20,000 for a single suggester and $100,000 for a team.	
OH	A single employee suggestion program, Innovation Ohio, located in the Department of Administrative Services.	Voluntary	Catalog gifts are given to employees with suggestions that improve moral or efficiency.	Five-percent cash awards (up to $5,000) are available for suggestions that save $10,000 or more in the first year.	Information not available.
OR	An Employee Suggestion Awards Program (ESAP) administered by a seven-member Governor appointed Commission responsible for reviewing all suggestions which are recommended by agencies to determine if the suggestion is eligible for an award.	Agencies must have an Employee Suggestion coordinator.	Suggestions which result in intangible improvements, or do not meet the $50 minimum cash award will be eligible for certificates or other awards determined by Commission.	Suggestions are eligible for cash awards of 10 percent (up to $5,000) of the total net savings in the first year if they result in savings of at least $500. Five-percent cash awards are available for suggestions that result in savings of at least $1,000 in the first year. The minimum award is $50. Half of the implementation cost is subtracted from the gross savings to equal the net savings.	Administrative expenses are budgeted from the operating expenses of the Department of Administrative Services. Cash awards are paid by the affected agency or agencies if they can be identified and if the savings can be determined. If not determinable, costs are paid by the Personnel Division.
	A Productivity Improvement Fund Program (PIFP), administered by the Department of Administrative Services and charged with reviewing agency requests for funds to be used for the program.	Voluntary		50 percent of plan savings are returned to the implementing agency.	PIFP has a revolving fund for making loans, grants, matching funds, or cash awards available to state agencies implementing productivity plans. The fund is credited 50 percent of the savings from plans resulting in improved efficiency and/or effectiveness.

	Location and Number of Programs	Mandate	Cash Rewards for Non-Monetary Saving	Amounts of Cash Awards	Funding
VA	An Employee Suggestion Program (ESP) administered by the Department of Personnel and Training which administers the programs as well as establishes and maintains a suggestion system database. Agency heads in executive branch agencies and other agencies are responsible for organizing and implementing the programs.	Mandatory. All agencies must have a suggestion program coordinator.	Cash awards are authorized only when ideas are adopted and result in quantifiable savings. Employees may receive non-cash awards for suggestions that result in significantly improved processes, programs, or safety for which benefits are not quantifiable. Non-monetary awards include days of leave and certificates.	If the net amount of first year savings is over $20,000, the cash award is $5,000 plus one percent of any amount over $20,000. If the net amount of first year savings is $501-$20,000, the cash award is 25 percent. If the net amount of first year savings is $101-$500, the cash award is 25 percent or 1 day of leave. If the net amount of first year savings is $100 or less, there is no cash award.	Agencies are responsible for paying out the awards from the identified savings source.
WA	The programs are operated by the Office of the Secretary of State and administered by the Productivity Board. The Board is chaired by the Secretary of State and comprised of representatives from state agencies, higher education, organized labor, and private businesses. Employee Suggestion Program (“Brainstorm”)	Mandatory agency designation of a coordinator; voluntary participation for employees. Productivity Board staff and members may not participate.	Cash awards of up to $100 (amounts are decided by the Board) are available for suggestions that improve safety, health, and welfare. Recognition awards for longevity and job performance are also available.	Approved Brainstorm suggestions resulting in tangible savings are eligible for a cash award equal to 10 percent of the first year net savings (up to $10,000). Minimum cash award is $25.	Awards are funded from the appropriation of the agency benefitting from the suggestion.
	Teamwork Incentive Program (TIP) operates a “statewide sorter”			Approved TIP suggestions are eligible for a cash award of up to 25 percent of the savings not to exceed $10,000 per team member. Awards are paid from the net savings of the TIP suggestion.	Awards are paid from the net savings of the TIP suggestion.
WY	An employee Suggestion Award Program administered by three boards (state employees, University of Wyoming, and community college staff). Each Board establishes rules, determines eligibility and approves the amount and type of award.	Voluntary	Non-cash awards are available for suggestions that eliminate safety hazards, improve efficiency in state operations and services, or result in other benefits to the state.	Suggestions that reduce expenditures, increase revenues, and/ or productivity are eligible for a cash award of 10 percent of the first year savings (up to $1000). Suggestions resulting in less than $250 in savings receive a $25 reward.	Cash awards are charged against the appropriation item from which the savings resulted.

TEXAS INCENTIVE AND PRODUCTIVITY COMMISSION

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