SUBJECT: Modifying the savings incentive program for state agencies

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 23 ayes — Zerwas, Longoria, Ashby, G. Bonnen, Cosper, Dean, Giddings, Gonzales, González, Howard, Koop, Miller, Muñoz, Perez, Phelan, Raney, Roberts, J. Rodriguez, Rose, Sheffield, Simmons, VanDeaver, Walle

0 nays

4 absent — Capriglione, S. Davis, Dukes, Wu

SENATE VOTE: On final passage, March 20 — 30-0

WITNESSES: No public hearing

BACKGROUND: Government Code, ch. 2108 governs the savings incentive program for state agencies. Sec. 2108.103 allows a state agency that spends less undedicated general revenue from nonfederal sources than is appropriated to it to retain one-fourth of the saved amount. The amount retained may not exceed 1 percent of undedicated nonfederal general revenue appropriated to the agency for the fiscal year. The agency may use the savings for activities that do not create new or expanded services or require ongoing funding at a later date.

Concerns have been raised that the current incentive structure under the savings incentive program may not provide sufficient encouragement to state agencies to identify and implement efficiencies.

DIGEST: SB 132 would allow an agency that spent less undedicated general revenue from nonfederal sources than was appropriated to it to retain half of the money saved. The bill would remove the provision limiting the amount of savings retained to 1 percent of undedicated general revenue from nonfederal sources appropriated to the agency for the fiscal year.

The bill would require that half of the retained savings be used to make additional principal payments for general obligation bonds issued by the agency or by the Texas Public Finance Authority on the agency's behalf. If there were no outstanding general obligation bonds, the agency could provide equally distributed bonuses to each agency employee who was a full-time equivalent employee of the agency, worked for the agency as a full-time equivalent employee for the entire fiscal year when the savings were realized, and who was directly responsible for or worked in a part of the agency responsible for the realized savings.

A bonus could not be given to an agency employee who served in an upper management position, including the chief executive or administrator of the agency.

If the amount of realized savings as a percentage of the agency's total amount of undedicated general revenue derived from nonfederal sources was:

- less than 3 percent, a bonus could not exceed $250;
- at least 3 percent but less than 5 percent, a bonus could not exceed $500,
- at least 5 percent but less than 10 percent, a bonus could not exceed $750,
- 10 percent or more, a bonus could not exceed $1,000.

The bill would require a state agency to adopt rules to implement the provisions of the bill.

The bill would take effect September 1, 2017, and would apply to notice of savings from appropriations to an agency for a fiscal year beginning on or after that date.