

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 7, 2013

TO: Honorable Linda Harper-Brown, Chair, House Committee on Government Efficiency & Reform

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3395 by Harper-Brown (Relating to the employee innovation incentive program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3395, As Introduced: a negative impact of (\$123,098) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$61,549)
2015	(\$61,549)
2016	(\$61,549)
2017	(\$61,549)
2018	(\$61,549)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund	Change in Number of State Employees from FY 2013
2014	1 (\$61,549)	1.0
2015	(\$61,549)	1.0
2016	(\$61,549)	1.0
2017	(\$61,549)	1.0
2018	(\$61,549)	1.0

Fiscal Analysis

The bill amend the Government Code to create the Texas Innovation Incentive Program to allow state employees to make cost saving recommendations to agencies. The bill would require each

state agency to establish a board and process to submit recommendations, analyze and implement recommendations, and accept or reject recommendations. An employee could request a redetermination of a recommendation's eligibility by the Sunset Advisory Commission (SAC). The bill would permit SAC to submit a proposed bill draft to the Legislature for a recommendation deemed worthy of implementation, act as the final arbiter in disputes, and select one agency annually to receive an innovation award.

The bill would permit a state agency to grant a bonus to an employee if a recommendation results in a net annual savings of more than \$1.0 million. The bonus would be equal to 50 percent of the net biennial savings, after accounting for implementation costs. The bill would require that the remaining savings be specified in the agency's next Legislative Appropriations Request so that future budgets can take into consideration the reduction in operation costs. The bill would permit the state to change or terminate the program at any time without prior notice.

Methodology

The cost associated with changes made by the bill relate to the SAC, which would be required to implement certain aspects of the program, including arbitrating final disputes, selecting an agency to receive an innovation award, and consider legislation to implement cost saving recommendations from innovation suggestions. The SAC currently has no staff dedicated to reviewing agency incentive programs. The new requirements for SAC are similar to the duties of the former Texas Incentive and Productivity Commission, which ceased operations in 2005. When the SAC reviewed the agency in 1998, it found that the former agency reviewed 678 employee suggestions and approved 66 of those in the previous fiscal year. Assuming a similar number of suggestions would be submitted and approved, a small percentage of those would likely be appealed, disputed during implementation, or result in legislative action. The SAC indicates it would need one additional program manager at a cost of \$61,549 in General Revenue each fiscal year dedicated to reviewing and evaluating these appeals, disputes, legislation recommendations and to select an agency to receive the innovation award. The program manager would be responsible for reviewing and evaluating agencies that participated in the program each year.

The bill would have an indeterminate fiscal impact related to cost savings and employee bonuses. The Comptroller indicated that any potential impact on state spending or savings cannot be estimated. The University of Texas System also indicates an indeterminate fiscal impact due to the uncertainty of potential innovations suggested and implemented. Agencies including the Health and Human Services Commission, the Texas Education Agency, the Texas Department of Transportation and the Texas Department of Criminal Justice anticipate any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 529 Health and Human Services Commission, 601 Department of Transportation, 696 Department of Criminal Justice, 701 Central Education Agency, 720 The University of Texas System Administration

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