Employee Incentive Program Guidelines
Foreword (September 2008)

In May 2004 the Council approved the implementation of voluntary agency employee incentive programs under the following approved guidelines, in support of state direction to eliminate the operations of the Texas Incentive and Productivity Council and the associated State Employee Incentive Program. Agencies that choose to operate an employee incentive program are to follow the guidelines set out in this document, as well as the pertinent sections of Article IX, Part 13, Section 13.04 (General Appropriations Act, 80th Legislature) outlined below:

Sec. 13.04. Incentive and Productivity.

(a) Net annual savings or revenues realized from employee suggestions implemented by a state agency under rules promulgated by the State Council on Competitive Government must be allocated by the state agency as follows:

(1) An amount not to exceed $5,000 or 10 percent of the annual net savings or revenues attributable to a suggestion implemented by a state agency shall be available for the payment of employee awards under an employee awards program.

(2) The remaining amount, equal to at least 90 percent of the original annual net savings or revenues from amounts appropriated to the agency in the fiscal year(s) in which the savings or revenues were realized, shall be retained by the agency to pay for agency operations.

(b) The net savings or revenues realized in a fiscal year are to be considered encumbered by the agency implementing the suggestion for purposes of carrying out the allocation of funds listed in Subsection (a). The amounts encumbered shall be accounted for in the following manner:

(1) Upon implementation of an approved employee suggestion, an agency shall establish a Savings Measurement Account for that suggestion and transfer into this account the share of the projected net first-year savings or revenues attributable to the suggestion during that fiscal year. All balances in these accounts as of August 31, 2007, are appropriated for fiscal year 2008, and all balances in these accounts as of August 31, 2008, are appropriated for fiscal year 2009. At the beginning of the following fiscal year, the agency shall transfer into the Savings Measurement Account the remaining share of the projected net savings or revenues for each approved suggestion.

(2) At the conclusion of the implementation period for an approved and implemented suggestion, the amount of net savings or revenues certified by the agency and the State Council on Competitive Government shall be compared with the balance in the Savings Measurement Account for that employee suggestion. If the certified net savings or revenue amount exceeds the balances in the Savings Measurement Account, the additional funds shall be derived from that agency’s current year appropriations. If the certified net savings or revenue amount is less than the balance in the Savings Measurement Account, the excess amount deposited is available to the agency for expenditures in the current fiscal year for the same purposes as the original source appropriations. The certified net savings or revenues shall be transferred in accordance with Subsection (a).

(c) In the event that agencies identify statutory, federal or constitutional restrictions on the use of funds in accounts where savings or revenues were generated by approved employee suggestions, agencies are authorized to substitute other funding and appropriation sources for the $5,000 or 10 percent employee award portion under Subsection (a). All such substitutions for statutory, federal, or constitutional restrictions shall be reviewed and approved by the Comptroller before the substitution of $5,000 or 10 percent from other funds is adopted.
Introduction

Agencies may voluntarily operate an employee suggestion program at the discretion of agency management. Agencies should use these guidelines when implementing a suggestion program. Agencies that operate an employee suggestion program must report the results of the program to the Council annually.

Part I

Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly states otherwise:

1. **Affected agency or target agency**: The agency which is the object of an employee suggestion.

2. **Agency coordinator**: An individual employed by a state agency who is designated by the executive director of that agency to administer the agency’s employee suggestion program.

3. **Application**: The form prescribed by the agency on which employee suggestions must be submitted to be considered for eligibility in the program.

4. **Award**: A bonus or certificate of appreciation.

5. **Bonus**: A cash award.

6. **Cash award**: A monetary award granted to an eligible state employee in payment for an employee suggestion which shows a first-year net savings or first-year net revenue of $500 or more.

7. **Certificate of appreciation**: A non-monetary award granted to an eligible state employee in recognition of an employee suggestion.

8. **Certification**: The process by which an agency determines the amount of first-year net savings/revenue generated by a suggestion.

9. **Employee suggestion**: A proposal made by an eligible state employee which, on implementation, may result in increased productivity, a reduction in state expenditures, an improvement in the quality of state services, or an increase in state revenue.

10. **First-year net savings or net revenue**: The monetary amount, measured during the implementation year, of reduced expenditures, increased revenue, or increased productivity attributable to the employee suggestion versus the previous procedure, system, equipment, standard, or material. This includes adjustments for the costs of implementation, inflation, and other factors deemed as distortions of the actual quantitative merit of an implemented suggestion.
11. **Implementation**: The point in time at which all elements, tools, equipment, systems, supplies, or procedures as prescribed by an employee suggestion may have been acquired, assembled, constructed, or otherwise put into place, and are used in the execution of that employee suggestion.

12. **Implementation costs**: Costs associated with implementing a suggestion including acquisition of equipment or materials, design of systems or procedures, and other associated outlays needed for implementation of an employee suggestion.

13. **Implementation year**: The 12-month period following implementation of an employee suggestion. During this year, the amounts of reduced expenditure and/or increased revenue are monitored to determine the net monetary impact of the implemented suggestion.

14. **Joint suggestion**: A suggestion submitted by two or three employees.

15. **Net cash award**: A monetary amount resulting after necessary taxes are deducted from the award.

16. **Originating agency**: The agency of the employee who submits a suggestion.

17. **Recognition award**: A $50 award for approval suggestions not eligible for a bonus.

18. **State agency or agency**: A department, commission, board, office, or other agency in the executive or judicial branch of government that is created under the constitution or a statute of this state. This definition includes institutions of higher education.

19. **State employee**: A state agency employee.

20. **State employee group**: A group of four or more state employees employed by the same state agency.

21. **Target agency or affected agency**: The agency which is the object of an employee suggestion.

22. **Transfer**: The process by which the amount of net savings/revenue is allocated by an agency.

23. **Verification**: The process of determining the amount of net savings or net revenue attributable to an employee suggestion. The participating agency, the Comptroller of Public Accounts, the state auditor, and/or other state agencies, conduct the verification process.
Part II

Agency’s Role

The following describes the agency’s role:

1. **Policies and procedures**: The agency shall develop policies and organize procedures to implement a program to reward state employees for suggestions that reduce state expenditures, increase state revenue, or improve the quality of state services.

2. **Recordkeeping**: The agency shall establish recordkeeping procedures as necessary to implement the employee suggestion program.

3. **Staffing**: The agency shall staff the employee suggestion program as needed.

4. **Contributions**: The agency may seek, accept, and use contributions or assistance from private institutions and organizations for implementation of a suggestion program.

5. **Agency coordinator appointments**: The executive director of each participating state agency shall designate an agency coordinator.

6. **Intra-agency review**: The executive director of agencies with 25 or more employees shall designate at least two individuals employed by the agency to assist the agency coordinator in impartially evaluating all eligible employee suggestions as part of the internal review process provided for in these guidelines. One of the individuals should be experienced and familiar with the various cost centers, accounts, and line items which will be affected by a variety of implemented suggestions. Another of the individuals should have technical, engineering, procedural, and managerial experience, or experience in other areas as required to objectively evaluate the feasibility of a variety of eligible suggestions. Executive directors of agencies with fewer than 25 employees shall designate at least one other person employed by the agency to assist the agency coordinator in evaluating suggestions. Additional members may be added to the intra-agency review staff as needed to evaluate the suggestions appropriately.

7. **Suggestion adoptions**: The final adoption of an employee suggestion is at the discretion of the chief administrative officers of the agency.

8. **Calculation and certification of first-year net savings/revenue**: Upon implementation of approved suggestion, an agency shall track savings/revenue for one year in preparation for making the certification. The agency may certify a savings/revenue amount prior to the completion of a full implementation year if the suggestion involves a one-time savings/revenue or if the agency's projected savings/revenue is based on a reasonable and reliable method.

9. **Funds Transfer**: The affected agency may transfer savings attributable to an implemented suggestion from the first of the fiscal biennium to the second year of the fiscal biennium.
Agency Coordinator’s Role

Each state agency shall designate an agency coordinator. The agency coordinator shall:

1. Promote agency employee participation in the program;
2. Obtain an impartial evaluation of each proposed employee suggestion;
3. Promote the agency's implementation of adopted suggestions;
4. Monitor the cost savings and other benefits that result from the implementation of an employee suggestion;
5. Arrange and conduct intra-agency award ceremonies to recognize agency employees who are granted awards;
6. Make the initial eligibility determination for the employee suggestion and the agency employee;
7. Complete and route all forms and correspondence in a timely manner and as prescribed in these guidelines; and
8. Develop recordkeeping procedures to track and verify the actual amount of savings or revenue changes attributable to an implemented employee suggestion. The agency coordinator shall provide any information requested that is necessary to verify the amount of savings or other benefits derived from the suggestion.

Part III

Eligibility

1. **Employee eligibility**: Agency employees are eligible to participate in the employee suggestion program except an employee:
   a. Who has decision making authority within the affected agency to implement the suggestion being made;
   b. Who is on an unpaid leave of absence;
   c. Whose job description includes responsibility for cost analysis, efficiency analysis, savings implementation, or other related programs within the employee's agency;
   d. Who is involved in, or has access to agency research and development programs, if that information is used as the basis of the suggestion;
   e. Whose job description includes developing the type of change in the agency administration that is proposed in the suggestion; and/or
   f. Who is an elected or appointed official.
2. **Employees on temporary assignment**: An employee who is temporarily assigned by the employee's agency to a group that is established for the purpose of developing process improvements in that agency is not ineligible under subsection (a)(1) and (5) of this section to participate in the incentive program solely because of the employee's participation in that group.

3. **Suggestion eligibility**: A suggestion is ineligible for consideration under the program if it:
   a. Does not describe a method to achieve the desired savings or benefit;
   b. Proposes ideas under consideration for implementation (in and outside of the program) on the date that the suggestion is submitted to the agency;
   c. Relates only to personnel matters or grievances, including employee classification or compensation;
   d. Proposes a correction for a condition that resulted because applicable established procedures were not properly followed;
   e. Proposes implementation of a policy or procedure that has already been adopted by the employee's agency, except as described in subsection (d) of this section;
   f. Violates the intent of the program;
   g. Proposes an idea that involves delayed hiring of employees by the agency.

4. **Agency implementation prior to submission of suggestion to the program**: If an agency adopts a policy or procedure as a result of an employee suggestion before the:
   a. The employee or employees who submit the suggestion are eligible as described in subsections (1) and (2) of this section;
   b. The suggestion is otherwise eligible under subsection (3) of this section; and
   c. The employee or employees propose a reasonable method of implementation and describe the type of benefits or savings foreseen to the agency before agency implementation.

5. **Award eligibility period**: A suggestion is eligible for an award if the following actions occur within two years of the date the agency receives the suggestion:
   a. The suggestion is approved; and
   b. A target agency implements the suggestion.

6. **Award eligibility period exceptions**: The following are exceptions to the award eligibility period:
   a. The eligibility period shall be four years if the suggestion requires legislative change;
   b. The award eligibility period may be extended for two years for a suggestion that has been approved if the employee makes such a request in writing before the initial award eligibility period expires; and
   c. Duplicates a suggestion that was previously received that has not been closed.
7. **Closing of suggestion files:** The file on a suggestion:
   a. Shall be closed at the expiration of the applicable award eligibility period, including any valid extensions;
   b. Once closed, may be resubmitted as a new suggestion subject to all eligibility requirements and the evaluation process; and
   c. May be reopened, if circumstances warrant, with a new award eligibility period.

**Part IV**

**Employee Rights:** State agency employees have the following rights:

1. **Confidentiality:** An employee who proposes a suggestion may request that his or her confidentiality be maintained in the evaluation or award process. The employee's confidentiality shall be maintained to the greatest possible extent.

2. **Right to an award:**
   a. An employee's right to an award may be established based on the employee's status at the time that the original employee suggestion was received by the agency coordinator.
   b. A former employee remains eligible for an award if the suggestion is implemented not later than two years after the date of final disposition of the suggestion.
   c. If an employee who is granted a bonus dies before the date on which the bonus is received, the bonus shall be paid to the deceased employee's estate.

**Employee Liability**

An employee accepts all liability for violation of any proprietary and/or criminal laws and statutes by the employee in making a suggestion under this program.

**Part V**

**Suggestion Submissions**

1. **Employee requirements:** To be eligible for consideration, an employee suggestion must:
   a. Be submitted in the written form prescribed by the agency; and
   b. Propose a reasonable method of implementation and describe the type of savings or other benefits foreseen by the employee, if the suggestion is adopted by the agency.
2. **Simultaneous suggestions:**
   a. If two or more employees submit the same or similar suggestions (for the same target agency), the first received by the target agency's coordinator in the prescribed written form is eligible for consideration.
   b. If the same or similar suggestions are received on the same day from employees working at different locations (by target agency's coordinator), a bonus based on the implemented suggestion may be divided equally among the employees submitting the information.
   c. In either subsection a) or b) of this section, each of the employees may be eligible for a certificate of appreciation.

3. **Group suggestions:**
   a. Two or more employees may submit a group suggestion using forms prescribed by the agency.
   b. Awards for group suggestions shall be divided equally among those employees.
   c. Each of the employees submitting a group suggestion may be eligible for a certificate of appreciation.
   d. In the event that one or more of the employees in a group suggestion are determined to be ineligible, the suggestion may be resubmitted by the group of eligible employee(s).
   e. If the complexity of a group suggestion prevents the agency from adequately evaluating it in 90 days, the agency may extend the evaluation process for a period of 90 days.

4. **Suggestions affecting multiple agencies:**
   a. If a suggestion affects more than one agency, the agency coordinators shall coordinate evaluation of the suggestion by those agencies. Agencies that do not have suggestion programs may participate in the originating agency’s suggestion program at the discretion of the agency’s executive director for suggestion implementation, evaluation purposes and employee award. The type of award given by a non-participating agency is at that agency’s discretion; however, the award can not exceed the award amounts stated in subsection 8 of Part VI.
   b. For suggestions affecting more than three agencies, the originating agency shall evaluate the suggestion prior to forwarding it to the other affected agencies for further coordination and evaluation.
Part VI

Award Administration

1. Agency Action:
   a. To be eligible for consideration, suggestions must be considered within 90 days of receipt. Suggestions affecting multiple agencies coordinated by the agency coordinators shall be considered within 150 days of receipt from the originating agency.
   
b. Within 30 days of consideration of suggestions, the agency coordinator will inform target agencies, if any, of the evaluation findings and request implementation of approved suggestions. The agency may also use this notification letter to inform the employee of the status of the suggestion. Final adoption of an employee suggestion is at the discretion of the chief administrative officers of each agency.
   
c. The agency shall provide any information that is necessary to compute the amount of savings/revenue or other benefits derived from the implementation of the suggestion within 60 days of the completion of the implementation year.
   
d. The agency shall act as the final arbiter of any dispute arising from administering the program, eligibility requirement, or suggestion procedures and requirements.

2. Legislative Action:
   a. The agency coordinator shall note any suggestion that requires legislative action. Such notification shall be retained by that agency in the pursuit of appropriate legislation.
   
b. Prior to each legislative session, the agency shall compile a report for the legislature noting suggestions that require legislative action.
   
c. If legislation is passed to implement the employee's suggestion, the agency shall consider the suggestion further.

3. Appeals:
   a. Employee's role:
      i. An employee whose suggestion has been declined by an agency and who has reasonable grounds to believe that the importance of the suggestion has been overlooked, misunderstood, or misinterpreted may appeal the agency's evaluation to its executive director.
      
         ii. The employee must appeal not later than the 30th day after the day on which the employee receives notification that the suggestion has been declined.
      
         iii. The employee shall provide any additional information that he or she considers useful to the re-evaluation.
      
         iv. The decision of the executive director is final.
b. Agency's role:
   i. The agency shall re-evaluate the suggestion and report back to the employee within 30 days.
   ii. When possible, the re-evaluation shall be conducted by someone at the agency other than those persons involved in the initial evaluation.
   iii. The agency coordinator will forward the employee's appeal and the agency's re-evaluation within 30 days of receipt of the employee's appeal.

4. Awards
   a. An award consists of a certificate of appreciation and, if a suggestion results in a first-year net savings or increase in revenue of $500 or more, a cash award.
   b. Only an approved and implemented employee suggestion is eligible for an award.
   c. An employee whose suggestions results in a first-year net savings or increase in revenue of $500 or more is eligible for a cash award up to ten percent (10%) of the first-year net savings or revenue increase, not to exceed $5,000. If two or three employees submit a suggestion, the $5,000 cash award shall be divided equally among the employees. If a state employee group of four or more employees submit a suggestion, the group is eligible for a total bonus up to 10 percent of the first-year net savings or revenue increases, not to exceed an award of $5,000 for each member of the state employee group.
   d. Distribution of cash awards occurs entirely at the agency’s discretion and is limited according to the guidelines provided in subsection c in this section.
   e. The agency may grant a recognition award in the amount of $50 to the eligible state employee or employees who make a suggestion that is approved and otherwise ineligible for a cash award.
   f. Award prior to full one-year implementation: The agency may grant an award before the completion of the first year in which the suggestion is implemented, based on actual or projected first-year net savings or increased revenue that are certified by the affected state agency.
   g. Cash awards are considered wages for Social Security and income tax purposes.
   h. Upon certification, the agency shall notify the employee in writing of the amount that is eligible to be awarded. The agency will process a supplemental pay transaction or cause a supplemental pay transaction to be made for an employee(s) submitting the suggestion. Necessary amounts for withholding of employee income and Social Security taxes will be deducted from the cash award. The originating agency will pay the employer share of Social Security taxes.
   i. Processing cash awards for former employees: When an award is payable to a former employee who will not receive a W-2 form from an agency or institution of state government, the agency processes the award as miscellaneous income to the employee. The individual receiving the award is responsible for paying applicable taxes.
j. All applicable transfers shall be made and awards shall be distributed to the suggester within 90 days of agency certification unless the agency approves a request for alternate timing.

5. Rights of the Agency

a. The agency may change or terminate the employee suggestion program at any time without prior notice.

b. The submission of an employee suggestion in the manner provided by the program constitutes an agreement between the agency and the employee making the suggestion that all claims by the employee that are based on the suggestion, including patent claims, copyright claims, trademark claims, and other analogous claims, are assigned to the state.

c. The agency accepts no liability for violation of proprietary laws incurred in the good faith implementation of an approved employee suggestion.