

SUBJECT: Benefits for state employees whose jobs are privatized

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 6 ayes — Oliveira, Yarbrough, Greenberg, Raymond, Siebert, Van de Putte
0 nays
3 absent — Keffer, Luna, Seaman

WITNESSES: For — None
Against — None
On — David Perdue, Texas Workforce Commission

BACKGROUND : HB 1863 by Hilderbran, et al., was enacted by the 74th Legislature to restructure the state's welfare and workforce development programs. The bill set into motion a process for consolidating the state's workforce development and employment services and positions into the Texas Workforce Commission (TWC) and encouraging local workforce development boards to contract with private companies to provide these services.

DIGEST: CSHB 3512 would establish service retirement eligibility and benefits for TWC employees furloughed as a result of privatization of state employment services.

CSHB 3512 would require the state to assist employees losing their jobs due to privatization of state services or a reduction in workforce by:

- giving employees preference in certain hiring situations;
- developing a job placement program; and
- offering early retirement.

CSHB 3512 also would require employers providing formerly state services to pay wages and benefits comparable to those provided state employees.

CSHB 3512 would take effect September 1, 1997.

Hiring and outplacement. CSHB 3512 would give displaced former state employees preference over another applicant with the same qualifications for a position at another state agency.

CSHB 3512 also would require TWC to develop a job placement program for state agencies reducing their workforce by at least 25 employees or eliminating at least 25 positions due to privatization of services. The program would have to include access to career centers, assistance in finding other state employment, counseling on unemployment benefits, and instruction on career related services. The commission could contract with a private entity to provide these services.

Early retirement. An early retirement option would be extended to affected employees meeting the minimum service requirements for retirement who were at least 50 years old and not more than three years younger than the minimum retirement age. Eligible employee would have to designate a date for retirement between August 31, 1997, and September 1, 1999. The early retirement offer would expire September 1, 1999.

The state retirement system would be required to report early retirements to the comptroller, who then would reduce the total amount of legislative appropriations to an agency to reflect the terminations. The comptroller could not reduce appropriations for any fiscal year in the biennium if the total legislative appropriations for the agency were less than \$1 million for the fiscal year.

Employees retiring early could not contract with state agencies for consulting services or with governmental entities for professional services within 12 months of their retirement.

SUPPORTERS
SAY:

CSHB 3512 would provide benefits to former state employees displaced as a result of privatization of services and workforce reduction. These hard working and capable public servants deserve special consideration for losing their jobs through no fault of their own.

CSHB 3512 would give state employees displaced by privatization or a reduction in workforce the opportunity to retire. The retirement incentive would carefully structured to apply only to individuals in the latter stages of a career and at an age when finding a new job would be difficult. The state has an obligation to assist these individuals because of their considerable public service and hard work.

CSHB 3512 would ensure that private sector employees doing jobs previously performed by state workers received comparable pay and benefits. Privatization should not be used as a means of driving down wages, but some private companies already are hiring former state employees at lower wages and benefits to perform their same jobs. These companies are receiving state funding to perform former state services and should not be able to undercut state wages to turn a profit.

OPPONENTS
SAY:

CSHB 3512 would undermine the private sector's ability to compete for contracts offered by local workforce development boards. The private sector is well aware of what the local labor market will bear in terms of wages and benefits and should be trusted to determine appropriate levels of compensation.

OTHER
OPPONENTS
SAY:

CSHB 3512 would unfairly prohibit state employees who took advantage of the early retirement option from contracting for professional services with governmental entities after they were laid off. The bill should be amended to prohibit contracting only with the agency where the employee had worked.

NOTES:

Rep. Greenberg plans to introduce a floor amendment to allow former state employees to contract for professional services with governmental entities other than state agencies.

The committee substitute allowed the Texas Workforce Commission to contract out job placement services and added eligibility criteria for and restrictions on early retirement.

The companion bill, SB 1732 by Barrientos, has been referred to the Senate State Affairs Committee. A related bill, HB 2915 by Oliveira et al., which would give former state employees a 2.25 percent multiplier for service credits used to determine a retirement annuity, was placed on the House General State Calendar and postponed until May 12.