

April 7, 1997

The Honorable Mike Moncrief
Texas State Senate
State Capitol
Room 4E.2
Austin, Texas 78711

Dear Senator Moncrief:

Over 3,200 state employees receive free, state-subsidized housing and utilities; live in state-owned properties for a nominal monthly rate; or receive monthly cash payments in lieu of in-kind housing benefits. Over 1,300 state employees receive some form of educational assistance from their employing agencies. We question whether there is a need for state-subsidized employee housing to the extent that it is currently provided. In many cases, agencies' educational assistance policies are not designed to ensure that agencies receive value, such as more educated or competent employees, for the funds spent.

Our observations are the result of a review, completed at your request, of supplemental employee benefits. Additional detail and recommendations are presented below.

Issues Related to the Provision of Housing and Utilities to Employees

Texas state government currently provides certain employees housing benefits in the form of state-owned housing or cash payments. At the agencies reviewed, over 3,200 employees receive free housing and utilities, live in state-owned properties for a nominal monthly rate, or receive monthly cash payments of \$175. (See Attachment 1.) Housing benefits were reviewed at the following four agencies:

- Texas Department of Criminal Justice (TDCJ)
- Texas Department of Mental Health and Mental Retardation (TDMHMR)
- Texas Youth Commission (TYC)
- Texas Parks and Wildlife Department (TPWD)

The agencies' primary justification for providing these benefits has been the need for security and emergency response. However, two of the agencies (TDCJ and TDMHMR) told us that none of their employees were required to live in agency-provided housing as a condition of employment. Additionally, three of the agencies (TDCJ, TYC, and TDMHMR) have multiple facilities with no available housing, yet employees perform duties similar to those of employees receiving housing at other sites. These observations and other information lead us to question whether there is a need for state-subsidized housing to the extent that it is currently provided.

Although two of the agencies reviewed have converted some of their former housing units to other uses (TDCJ and TDMHMR), none of the agencies have performed a comprehensive study of alternative uses for their properties. As a result, it is possible that the agencies may not be making the best use of some of these state assets; additionally, in some instances the provision of surplus rental properties to selected employees may be outside an agency's primary mission.

It appears that recovery of costs on housing properties has not been a priority for the agencies. With most of the agencies reviewed, cost accounting for housing properties is decentralized to the facility level. Agency attempts at cost/benefit analysis and monitoring appear to be limited, and in some instances we were furnished with only estimates or partial estimates of agencies' costs (TDCJ, TDMHMR, and TPWD).

Based on the information provided, it appears that none of the agencies are recovering the maintenance costs on their housing properties; moreover, the majority of housing recipients receive utilities free of charge. In the instances where rent is charged, rates are generally well below the fair market rate, and in some cases rental schedules have not been updated for decades. In some instances standard lease agreements have not been required, and as a result, agency assets and interests have not been adequately protected.

There are no statewide policies or guidelines governing the provision of housing benefits to employees; agencies have been permitted to establish their own criteria. As a result, housing benefits have been allocated inconsistently both within and between agencies. In some instances there are no written policies or procedures for the selection of housing recipients, nor is there an appeals process. Where policies exist, housing decisions may be subject to a facility supervisor's discretion, the availability of housing properties, or funding at a facility. Inequities also arise from:

- The lack of comparability between housing properties at different locations
- The difference in value between the in-kind housing provided to some recipients versus the cash payments provided to others
- The failure in some cases to provide compensation to eligible recipients in the absence of available housing

Except where employees receive a monthly cash allowance, none of the agencies currently report the value of housing benefits provided in employees' total compensation, impeding attempts at salary comparisons. In the cases where residence in agency-supplied housing is not essential for employees to satisfactorily perform their duties, the agencies' failure to report the fair value of housing benefits in employee compensation exposes both the agencies and their employees to potential tax liabilities and penalties.

Recommendations:

The Legislature may wish to provide additional guidance at a statewide level concerning the provision of housing benefits to employees. Such guidance could include legislative expectations with respect to:

- The purpose of providing housing to selected employees, the establishment and documentation of the need to provide these benefits relative to an agency's mission, and the identification of specific positions and job responsibilities for which residence is essential
- The evaluation of the best uses of agency housing properties
- The administration of housing benefits, including the management of properties, protection of state and agency interests in housing agreements, and the accounting for and recovery of costs
- Ensuring equity in the allocation of benefits among eligible recipients, and the valuation and reporting of benefits in employee compensation
- The satisfaction of existing tax liabilities

Issues Related to the Provision of Educational Assistance to Employees

The Legislature has provided some limited guidance governing the provision of educational assistance benefits to employees through the State Employee Training Act (Act); however, under the Act agencies establish their own written policies with respect to eligibility, the extent of assistance provided, any provisions for repayment of benefits, and other terms and conditions.

Policies vary considerably among agencies with respect to eligibility for assistance, and the type and extent of educational assistance varies significantly from one agency to another. (See Attachment 2.) For example, some agencies offer no assistance, while at least one agency routinely pays thousands of dollars per employee per year to enable selected employees to earn advanced degrees. While most agencies spend significantly less, at least two of the agencies surveyed spend in excess of \$1 million per year for educational assistance. These two agencies' policies also provide for educational assistance to prospective employees.

In many cases, policies are not designed to ensure that agencies receive value, such as more educated or competent employees, for the funds spent. Some agencies do not require either continued employment or repayment of the assistance provided.

The State Employee Training Act requires agencies to file rules governing their educational assistance programs with the Governor's Office prior to the expenditure of funds. Many of the agencies surveyed, however, have failed to comply with this requirement. Two agencies filed only after we made an inquiry. Another agency was unable to locate and produce a copy of its educational assistance policy although its rules have been in place for decades and funds continue to be expended.

Administration of educational assistance programs appears to be weak in some cases. We found that some agencies do not monitor educational assistance benefits on an agencywide basis, but instead delegate administration of their programs to subordinate levels. During our review, one agency discovered that although its academic stipend program had supposedly been eliminated, one regional office continued to offer the program through fiscal year 1995. At another agency, it appears that appropriate controls were not developed to ensure the agency's educational leave program was properly used by staff.

We found inconsistencies in accounting and reporting, and in some cases we were unable to obtain consistent, comprehensive information from the agencies. Several agencies were unable to identify recipients of assistance or associated costs. Incomplete accounting also affects the state classification system and salary comparisons since some agencies do not include educational assistance payments in reported employee compensation.

Potential inequities exist in the allocation of benefits within agencies. Although agencies generally have criteria for evaluation and selection of recipients, some agencies do not appear to have codified these in the form of written guidelines or procedures. In addition, it appears that only five agencies have incorporated a formal appeals process into their policies. In one case, agency policies are subject to supervisor discretion and leave room for waiver of terms. The receipt of benefits by eligible employees may also be subject to the availability of funds at given locations within an agency.

Recommendations:

The Legislature may wish to provide more guidance at a statewide level concerning provision of educational assistance. Such guidance could include legislative expectations with respect to:

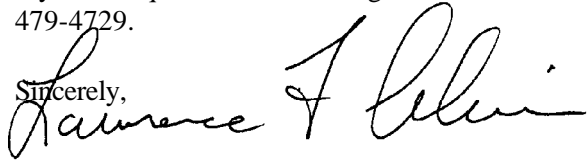
- The purpose of providing educational assistance and the establishment and documentation of the need to provide these benefits relative to an agency's mission

The Honorable Mike Moncrief
Texas State Senate
April 7, 1997
Page 5

- The administration of educational assistance benefits, including the protection of state and agency interests in accounting for and recovering costs, equity in the allocation of benefits among eligible recipients, and the reporting of benefits in employee compensation
- Ensuring that agencies and the State receive value for monies spent in providing educational assistance to employees

If you have questions concerning our work, or if we can be of other assistance, please contact Charlie Hrcir at 479-4729.

Sincerely,



Lawrence F. Alwin, CPA
State Auditor

LFA/rmn

attachments

cc: Legislative Audit Committee Members

Summary of Number and Type of Residential Units

Agency	Number and Type of Residential Units	Number of Units Occupied or Vacant
TDMHMR	105 Units 101 Houses 4 Duplex Units	105 Units 87 Occupied 4 Vacant 13 Agency Use 1 Condemned
TDCJ	896 Units 123 Houses 448 Duplex Units 300 Fourplex Units 5 Apartments 20 Mobile Homes 401 Trailer Spaces 2,118 Quarters¹	896 Units 800 Occupied 96 Vacant 401 Trailer Spaces 328 Occupied 73 Vacant 2,118 Quarters¹ 1,713 Occupied 405 Vacant
TPWD	208 Units 189 Houses 2 Apartments 10 Mobile Homes 3 Cabins 4 Quarters 12 Trailer Spaces	208 Units 201 Occupied 7 Vacant 12 Trailer Spaces 12 Occupied 0 Vacant
TYC	64 Units (all Houses) 17 Trailer Spaces	64 Units (all Houses) 59 Occupied 5 Vacant 17 Trailer Spaces 9 Occupied 8 Vacant

¹Bachelor's quarters or barracks-type housing.

This information was provided by the agencies and has not been independently verified by the State Auditor's Office.

Summary of Benefit Types and Number of Recipients

Agency	Number Receiving Free Housing	Number Receiving Cash in Lieu of Housing	Number Paying Rent ²	Effective Date
TDMHMR	30 (utilities paid)	54 (\$175 per month)	61 (\$247.29 per month ³ ; utilities paid)	The \$175 cash payment received in lieu of housing was established in 1973. The rental fee schedule for TDMHMR has been in effect since 1988 and has not been revised.
TDCJ	125 (utilities paid) 361 (½ utilities paid) 1,713 (quarters only) 316 (trailer space only)	not applicable	326 (\$25-\$50 per month ⁴)	The rental fee schedule for TDCJ has been in effect since 1986 and is currently being revised.
TPWD	not applicable	not applicable	201 (\$50-\$60 per month ⁵ ; utilities paid) 12 (\$20 per month for trailer spaces)	The rental fee schedule for TPWD has been in effect since the mid-seventies and has not been revised.
TYC	19 (utilities paid)	13 (\$175 per month)	40 (\$25 per month; utilities paid) 9 (\$15 per month for trailer spaces; utilities paid)	The \$175 cash payment and rental fee schedule for TYC has been in effect since the mid-sixties and has not been revised.

²In all cases, rent is below fair market value.

³Rental payments range from \$104 per month to \$434.70 per month; \$247.29 is the average payment.

⁴Rental payments range from \$25 per month to \$100 per month; the average payment is between \$25 and \$50 per month.

⁵Generally, rental payments are up to \$70 per month; the average payment is \$50.60 per month. In one instance, an employee pays \$100.

This information was provided by the agencies and has not been independently verified by the State Auditor's Office.

**Summary of Educational Assistance Benefits
at Thirty State Agencies**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Office of the Governor	N/A	No educational assistance offered.
Office of the Attorney General	No	<p>Educational leave of up to three hours per week for classes during work hours is allowed for any non-attorney or non-law clerk at the Office of the Attorney General (OAG).</p> <p>An employee must complete courses with a passing grade, or the employee will be required to reimburse the OAG for the educational leave time. Employees also sign a written agreement that they have a moral commitment to the OAG to remain available for employment by the OAG for a period of time at least equal to the length of the course period.</p>
General Services Commission	No	<p>Tuition assistance is available for no more than two college-level courses, with a maximum reimbursement of \$300 per course. Work hours may be adjusted to accommodate classes.</p> <p>Employees must agree to remain an employee of the General Services Commission (GSC) for a minimum period of three months after completion of each course taken under state sponsorship. An employee must agree to repay, in a lump sum or other arrangement, the amount of money expended by the GSC if the individual for any reason, except circumstances beyond his or her control, fails to complete the courses or otherwise defaults in any provisions of the agreement.</p>
Comptroller of Public Accounts	Yes	Reimbursement of up to 100 percent of tuition and compulsory student fees for GED and college-level courses is available. Flexible schedule is allowed.
General Land Office	Yes	<p>Reimbursement of college-level course tuition (up to 6 hours per semester for full-time employees and up to 3 hours for part-time employees) is provided. Reimbursement for review courses and exams may be arranged through the program area's training budget.</p> <p>Should the employee voluntarily terminate within one year after course is completed, the employee will be expected to reimburse the General Land Office for at least one-half of the total funds received.</p>

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Texas Workforce Commission	Yes	Reimbursement of tuition and fees is available for satisfactory completion (grade "C" or better for credit courses or "Passing" for non-credit courses) of one or more courses per semester, up to a maximum of \$150 per semester. Maximum for each employee of \$450 per year unless approved by Director of Finance.
Teacher Retirement System	Yes	<p>There is a subsidy program (tuition and fees) for full-time, regular employees pursuing education at an accredited educational institution. The maximum is \$600 per term per employee.</p> <p>Employees must agree to continue working for the Teacher Retirement System (TRS) for a period of time after completing their course of study. The length of time shall approximate the period of time taken to complete the course work and shall be determined at the time of approval by TRS's education assistance committee. If an employee fails to complete a course successfully or to fulfill other terms of the agreement, he or she must reimburse TRS for all agency-paid expenses pertaining to that course.</p>
Department of Human Services	Yes, but agency was unable to locate them.	<p>Reimbursement is provided for some job-related classes—up to three hours per semester. Employees may take educational leave for classes during work hours.</p> <p>In the stipend program, employees receive a salary while attending school full-time. Moving and some travel expenses are also paid. There were no program participants in fiscal year 1996.</p> <p>With respect to the stipend program only, at the time of selection the employee signs an agreement to repay the stipend through full-time employment with the Department of Human Services for a period of two months for each month on stipend. If the employee voluntarily terminates before full repayment of two months of full-time employment for each month on stipend, the terms of the contract must be complied with by repayment of the remaining amount of the stipend dollar for dollar. If the employee fails to complete the training program, all funds received must be repaid.</p>

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Employees Retirement System	Yes	<p>Tuition reimbursement is available for up to \$456 per semester for job-related college courses.</p> <p>As a condition for reimbursement, employees agree to remain employed with the Employees Retirement System (ERS) for six months after completion of the course. If an employee decides to leave during this six-month period, the employee may reimburse ERS for the amount he or she was reimbursed under the program.</p>
Rehabilitation Commission	No	<p>Reimbursement of required tuition and course fees up to \$500 per semester is available.</p> <p>One hour of educational leave per week may be granted under certain circumstances.</p> <p>Additional time off may be granted, but must be made up.</p> <p>Employee may use Rehabilitation Commission resources for the course work.</p> <p>Employees are expected to continue working at Rehabilitation Commission for at least 24 months after completing an agency-paid course. If an employee terminates within a 24-month period, the employee must reimburse the Rehabilitation Commission for the tuition and fees paid on the employee's behalf.</p>
Department of Housing and Community Affairs	No	<p>Reimbursement is available for qualified expenditures of up to \$300 per semester. Executive director may also grant time off or allow adjustment of work schedule to complete training.</p> <p>An employee must continue employment with the Department of Housing and Community Affairs for the duration of the course and at least one year thereafter, or repay the financial assistance provided for the course based on a prorated scale.</p>
Department on Aging	Yes	<p>Up to \$100 per semester for college courses for academic credit is available.</p>
Lottery Commission	Yes	<p>Employees may be reimbursed for up to \$750 per semester for up to three semesters per fiscal year.</p> <p>Employees are expected to retain their regularly scheduled work hours.</p>

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Department of Public Safety	N/A	No educational assistance offered.
Department of Insurance	Filed December 19, 1996	Tuition reimbursement of up to \$250 per semester (\$500 per semester with special approval) or educational leave up to 6 hours per week is available.
Railroad Commission of Texas	N/A	No educational assistance offered.
Alcoholic Beverage Commission	No	<p>Alcoholic Beverage Commission will allow employees to take time away from work (not to exceed four hours per week including travel time).</p> <p>Employee is required to make up the time.</p>
Texas Department of Commerce	N/A	No educational assistance offered.
Department of Health	Yes	<p>Educational leave is available for up to six hours per week for class. There are some restrictions.</p> <p>Reimbursement of up to \$450 per fiscal year is provided for tuition and fees.</p> <p>Educational stipends are available in the form of 75 percent of salary to attend school full-time for up to 12 months. Other reimbursements include tuition and fees, travel costs for one round trip to and from the educational institution, and other costs as approved. Participants in this program are obligated to work for Texas Department of Health (TDH) three months for each one month in the program.</p> <p>The educational study program provides up to 100 percent of tuition, fees, and books, and up to 15 hours of educational leave per week for a maximum period of two years. This program is limited to one or two employees per year per TDH Associateship, Region, and Hospital. Participants are obligated to work for TDH one month for each one month in the program.</p>
Commission on Alcohol and Drug Abuse	Yes	Educational leave of up to six semester hours per session. Leave must be made up by employee.

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Department of Protective and Regulatory Services	Yes	<p>Tuition reimbursement is available for job-related classes. Stipends for full-time attendance at a graduate school in order to complete or obtain a graduate degree in social work are available.</p> <p>Employees participating in the stipend program are required to sign a contract agreeing to obligate themselves to employment at the Department of Protective and Regulatory Services (PRS) at the rate of two months of employment for each month of educational stipend. If the employee leaves the employment of PRS prior to completion of his or her degree program, or prior to the end of his or her contractual employment period after completion of his or her degree program, the employee is contractually obligated to reimburse PRS for the monies expended during his or her participation in the stipend program less any months which have been repaid in service.</p>
Department of Agriculture	Yes	Reimbursement is available for tuition and fees only.
Water Development Board	No	<p>Educational leave is provided. Some restrictions apply.</p> <p>Reimbursement for tuition, books, and other course-related materials is provided upon completion of course with grade of at least a "C" for undergraduate and grade of at least a "B" for graduate course work.</p>
Natural Resource Conservation Commission	No	<p>Reimbursement for tuition and possibly textbooks is provided.</p> <p>Work hours can be adjusted to attend school.</p>

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Texas Department of Transportation	Yes	<p>Education Assistance Program; Master's of Science in Civil Engineering (MSCE); Master's Program (New, approved November 21, 1996, no students)</p> <p>Conditional Grants Program provides grants to women and minorities to pursue degrees in civil engineering and other disciplines, with the agreement to work for the Texas Department of Transportation (TxDOT) for two years upon graduation.</p> <p>Benefits vary for the different programs ranging from tuition only, to tuition plus books and fees, to salaries and travel and relocation expenses for the master's program.</p> <p>In addition, employees are allowed use of departmental copiers, computers, and other office machines for college work.</p> <p>Educational assistance is conditional upon (1) the employee agreeing to work for TxDOT for a minimum of two years for an associate's or bachelor's degree and three years for a graduate degree, commencing 30 days following the date of the employee's receipt of the degree; (2) employee's adhering to the terms and conditions of the educational assistance agreement and requirements for continued eligibility; and (3) completing and passing each individual course.</p> <p>TxDOT will cancel the student's educational assistance agreement and require the student to repay all funds, not to include salary, received from TxDOT if the student withdraws from the institution, is removed or prohibited from attending the institution, fails to comply with one or more terms of the educational assistance agreement, or is terminated for poor performance or behavior during the duration of the agreement, including the required employment period.</p> <p>TxDOT has the most extensive array of educational assistance of all the agencies surveyed.</p>

**Summary of Educational Assistance Benefits
at Thirty State Agencies, continuing**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Texas Department of Mental Health and Mental Retardation	No	<p>(1) Educational leave or educational duty assignment</p> <p>(2) Reimbursement for tuition, registration fees, and other education-related costs</p> <p>(3) Academic stipends</p> <p>Educational assistance and employee obligation agreements for academic stipends state that upon successful completion of the program the trainee agrees to return to Texas Department of Mental Health and Mental Retardation (TDMHMR) employment for a designated period of time. Should the trainee fail to successfully complete the program, the trainee shall pay TDMHMR liquidated damages equal to all monies received under the agreement, or, at TDMHMR's option, return to regular employment for a designated period of time. If, after successful completion of the program, the trainee fails to comply with the employment obligation, the trainee agrees to pay an amount determined using a prorated formula.</p>
Texas Youth Commission	Yes	<p>Reimbursement of tuition of up to \$500 per semester is available for completing a course with a grade of at least a "C." There is a stipend in effect to the extent of up to 8 hours off per week to attend classes.</p> <p>Employees receiving time off or tuition reimbursement are expected to repay the Texas Youth Commission (TYC) with one month of continued employment service with TYC for every semester hour taken and for any amount in time off approved. Employees who receive both tuition reimbursement and time off must complete a separate repayment period for each type of assistance received. Employees in the process of repaying obligations to TYC in employment time, who decide to resign, must pay the remaining obligation.</p>
Department of Criminal Justice	N/A	No educational assistance offered.
Texas Education Agency	Yes	Texas Education Agency allows employees to be on flextime to attend classes. However, employees are still expected to work 40 hour weeks.

**Summary of Educational Assistance Benefits
at Thirty State Agencies, concluded**

Agency	Rules filed with Governor's Office?	Type of Educational Assistance
Texas Parks and Wildlife Department	Yes, approved December 12, 1996	Reimbursement of tuition of up to \$500 per semester for completing a course with a grade of at least a "C" is provided. There is a stipend in effect to the extent of up to 8 hours per week off to attend classes. Employees approved for educational assistance, including tuition reimbursement, special scheduling, or leave must agree to regular employment with the Texas Parks and Wildlife Department (TPWD) for one month of continued employment for each semester hour of course work approved for assistance. If an employee defaults in any provision of the agreement between TPWD and the employee, then the employee is obligated to repay the cost of educational assistance in a lump sum or through an alternate arrangement approved by TPWD.

The information contained in this table was compiled based on responses provided by agencies to standard questionnaire. Responses not independently verified.