To: The Honorable Jane Nelson, Chair, Eddie Lucio Jr, Vice Chair and Committee Members
Texas Senate Finance Committee

From: Texas Public Employees Association (TPEA)
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Subject: Remarks for Senate Finance Committee Article IX

On behalf of the Texas Public Employees Association, thank you for the opportunity to present comments regarding state employee salary levels in SB 1. We appreciate the difficulties of writing a state budget that meets our citizens' needs during this extended period of emergency that no one could have foreseen when the Legislature last met.

There is no question that the outstanding performance of state employees—your workforce—both throughout the pandemic and during the big freeze has been invaluable. State employees have continued to do the day-to-day work of providing vital services to our citizens regardless of the risk to themselves and their families. One need only look at the TDCJ website, which memorializes the dozens of state employees who have lost their battle with COVID-19 in the line of duty. More than 10,000 staff in TDCJ alone have contracted the disease. That comes to one out of fourteen state employees in *all* agencies, so the actual proportion of the state workforce infected with the virus is even higher.

These figures are so high because, to do their jobs, state employees must be on the front lines of law enforcement, health care, social services, transportation infrastructure, and any number of other critically important public-facing jobs. Contrary to what some may want to think, and due to your vigilance in keeping government expenditures under control, state government is a lean and efficient operation. The total number of full-time equivalent state employees remains at the same level—about 145,000—as it did in 1993, despite a 57% growth in the state's population and a 237% growth in the budget. Yet when faced with a public health emergency unlike any we have ever seen, your workforce responded with dedication, professionalism, and, for many, great sacrifice. In short, they deserve a raise.

Texas's recent record of economic success, at least before the current crisis, has been called the “Texas Miracle” but the strains of managing explosive growth are taking a severe toll on the ability of the state to provide the essential services Texas businesses, workers, families, and individuals expect and deserve. Nowhere is this strain more evident than in declining pay levels for state employees and burgeoning unfunded state pension liabilities. If the Legislature does not address these problems—and soon—the state will not be able to retain and attract the talented people it takes to keep government functioning and the economy moving.

State employees have long accepted that they earn less than they would in comparable private-sector jobs. The Legislature last increased take-home pay in 2014 (1%) and 2015 (2% or $50/month) and before that gave a *one-time* retention payment of $800 in 2010-11. The 2017 Legislature gave with one hand what it took away with the other, granting a 2.5% salary increase to employees who contribute to the Employees Retirement System (ERS) to offset an increase in the employee contribution rate. Over the past 30 +years, the Legislature has only provided pay raises that was a plus to all employee pocketbooks in 7 of those years.

It is little wonder that the State Auditor reports that 65% of state employees now leave the state workforce within 5 years of being hired. The SAO also shows statewide turnover rates that hover around 18% per year, clearly a problem for agency operations. LBB analyses showed that targeted pay raises that have been granted affect only a fraction of the workforce in any given year and positively impact turnover only for the first year following such pay raises.

To put this trend in perspective, while generally low overall, inflation has still reduced the purchasing power by approximately 20 cents since 2010. In this same period, state employees have seen only a 2.5 percent increase in their take-home pay. Contrast that with private-sector wage growth, which, according to the Economic Policy Institute, has increased by an average of 3.1% year-over-year since the economic recovery began in mid-2009. It does not take a course in advanced statistics to see that state employees are not only getting poorer every day in real terms, but they are also losing ground vis-à-vis their private sector counterparts to the tune of almost 3% *every year*.

On the other side of the coin, the state has traditionally traded off low salary levels against relatively attractive retirement benefits. But now, even this bargain appears on shaky ground. Since 2004, the first year ERS identified an unfunded liability in the Retirement Trust, the deficit has ballooned to almost $15 billion. If nothing is done to shore up the trust and current contribution rates continue as they are, it will run out of money in 2061. That may sound like a long way off, but we are now at the point at which the ERS trust fund will run out of money for current state employees.

Many agencies have asked for additional funding to address critical staff retention and recruitment needs, and you have recognized some of those specific needs in the last few budget cycles. But it is time for the Legislature to stop the downward spiral and adopt a plan to fund across-the-board salary increases. If we cannot retain the people we have invested in already, we have no hope of recruiting the next generation. And if we cannot do that, state government will not be able to perform the basic public health and safety functions that make it possible for businesses to grow and families to thrive.

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