

Austin American-Statesman

Texas officials gave \$270M in bonuses with few rules, little oversight

By Andrew Chavez and J. David McSwane
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Kathy Walt, former Gov. Rick Perry's press secretary, received a \$13,500 bonus on top of her \$270,000 annual salary just before Perry left office.

The top manager of the teacher's pension fund received more than \$2.2 million on top of his \$504,000 a year salary.

A lawyer making \$153,000 a year at the General Land Office took home an extra \$147,000.

The Department of Public Safety's chief auditor left the agency in Aug. 31, 2014; the next day, Texas wrote him a check for \$54,000.

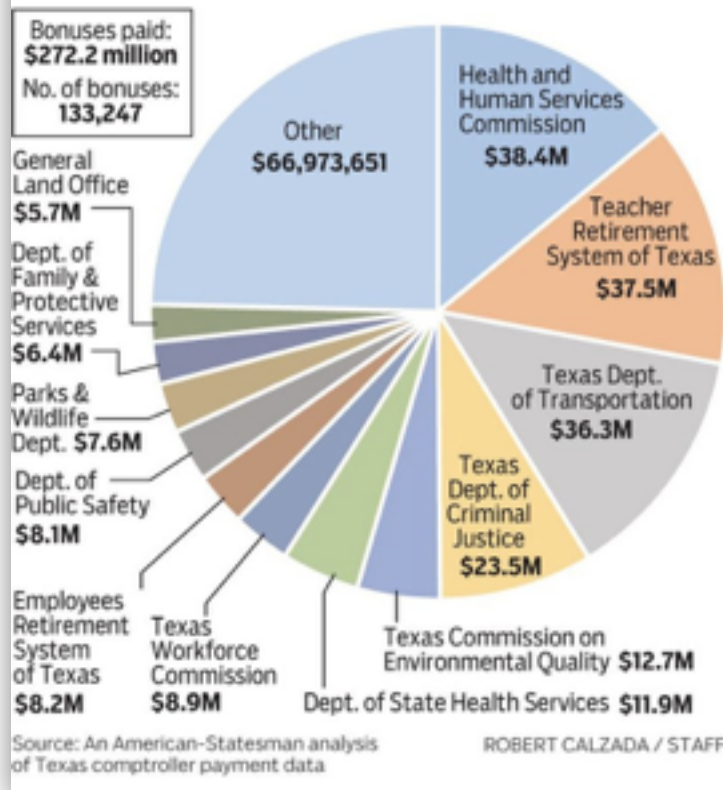
They're just three of about 78,000 workers who in recent years received more than \$270 million in bonuses from state agencies, whose directors exercise wide latitude as they dole out payments that are seldom questioned and, until now, never made public.

An American-Statesman analysis of more than 133,000 bonuses paid by 111 state agencies found Texas officials acting more like private sector CEOs as they reward their political allies and high-salaried managers with big bonuses.

>> [Click here to search our database of more than 133,000 bonus payments to state employees](#)

All state bonuses

Texas agencies have doled out more than \$270 million in bonuses since the start of fiscal year 2009, according to an American-Statesman analysis of payment data. The largest agency, the Health and Human Services Commission, spent the most during that period, but it was distributed to employees in more than 28,000 payments. Conversely, the No. 2 spender, the Teacher Retirement System, concentrated lucrative bonuses among its top officials, who made millions in incentives for managing the pension fund.



The Statesman analyzed payment data over the last seven fiscal years to provide the first comprehensive view of bonus payments to each employee at every state agency, except universities. The use of bonuses has risen sharply, the Statesman found, as payments more than doubled from \$28.6 million in 2009 to \$65 million in 2014.

The analysis found that agencies are largely free to dole out bonuses however they choose, for a variety of reasons, which are sparsely documented. Merit bonuses go unnoticed so long as agency commissioners or directors can meet their budgets approved by lawmakers or, for some money-making agencies, balance the cost with licensing fees.

Officials at several state agencies said bonuses are a handy tool to retain skilled workers whose wages have stagnated due to belt-tightening by the conservative Legislature. But while the data show many agencies use bonus cash to give

small pay bumps to state workers whose health care and retirement costs are rising, the real winners are those at the top of the organizational chart.

“No one on the front lines is seeing these bonuses,” said Seth Hutchinson, vice president of the Texas State Employees Union, which represents more than 12,000 state employees.

Bonuses could ease some of the sting for state workers, he said, but they’re usually secret and paid out at the discretion of managers who can play favorites.

“If the state wants to use that as an extra incentive, that’s great,” Hutchinson said. “But you need to make sure that the baseline is keeping up with the rate of inflation and cost of living.”

Merit bonus totals

The General Land Office ranks ninth among agencies in overall merit bonus spending since fiscal year 2009. But a handful of employees in that office received far larger bonuses than employees from other agencies. In fact, the five people who were paid the most in total merit bonuses all worked for that office, the American-Statesman analysis found. Two of them collected more than \$100,000 a piece on top of their salaries.

	Money received	(no. of payments)
John R. Martin, GLO	\$326,442	(7)
Matthew R. Chaplin, GLO	\$146,678	(9)
Larry L. Laine, GLO	\$93,074	(6)
William A. Wood, GLO	\$81,518	(3)
James E. Legrand, GLO	\$67,596	(5)
Proctor J. Sherwin, ERS	\$65,127	(4)
Jennifer P. Noack, BOEP	\$61,000	(8)
Stephen G. Goodson, DPS/TCEQ	\$59,000	(3)
Robert P. Kukla, ERS	\$56,750	(3)
Larry R. Zeplin, ERS	\$56,660	(2)

GLO = General Land Office

ERS = Employees Retirement System of Texas

BOEP = Board of Examiners of Psychologists

DPS/TCEQ = Department of Public Safety/ Texas Commission on Environmental Quality

Source: An American-Statesman analysis of Texas comptroller payment data

ROBERT CALZADA / STAFF

Land office windfall

The Statesman analysis of bonus payments found that large merit bonuses were given to people who worked in the orbit of former Gov. Rick Perry, including:

- Top Perry advisers Ken Armbrister and Teresa Spears, who together received seven bonuses, for a total of about \$31,000 and \$25,000 respectively. Both received sizable bonuses in Perry’s last month in office, as he prepared to run for the Republican presidential nomination.

- Kathy Walt, a longtime Perry aide and now a lobbyist for a company that Perry is promoting, received a \$13,500 bonus on top of her \$270,000 a year salary; it came at the end of Perry’s 14-year tenure.

But the General Land Office, which manages public lands and finances the Texas Permanent School Fund by selling mineral rights to private industry, has become the poster child for such exit windfalls after an Associated Press story last month detailed hefty bonuses.

After analyzing the land office’s bonuses compared with all the other agencies, the Statesman found that former Land Commissioner Jerry Patterson’s rewards to his managers stand out for their high-dollar amounts. Under Patterson’s leadership, the office paid out more than \$5.7 million in merit bonuses since 2009. His agency’s average bonus payment was about \$5,400, compared with about \$1,600 at other agencies.

When examining only merit bonuses — not payments strictly meant for investment managers under state law — the top five bonus earners from any state agency all worked for Patterson.



*Former Texas Land Commissioner
Jerry Patterson.*

“And proudly so,” said Patterson, who credits bonus payments with motivating his staff to rake in a record \$8 billion in deposits to the Texas Permanent School Fund since 2003.

“Our policy was — and proudly so — to compensate people at the GLO very well,” said Patterson, a Republican who left office after running an unsuccessful campaign for lieutenant governor last year.

John “Rusty” Martin, a General Land Office employee, was paid a total of \$326,442 in merit-based bonuses, more than any other state employee. Most of that was paid to him in Patterson’s final month in office, in

two \$99,999.999 payments — the maximum payment allowed by the state’s payment system — and a third \$5,000 payment.

Martin manages investments and collects an annual salary of about \$270,000 before bonuses.



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But land office spokeswoman Brittany Eck said Martin’s bonuses aren’t, technically, based on merit. His haul — like investment managers at the Teachers Retirement System — is tied to an incentive program for a few key staffers who manage investments for the office.

Records show Martin is allowed annual bonus payments of up to 80 percent of his salary, a sizable perk that officials say maximizes returns because his payday is tied to making good investments for the state. Those benefits also keep him from leaving for a Wall Street job, Eck said.

“That guy could make six times that if he wanted to,” she said.

But there was still plenty of bonus cash to go around for those who had nothing to do with state investments.

Matthew Chaplin, the land office’s former lawyer who now works at the Health and Human Services Commission, received \$45,000 in two payments during Patterson’s last year.

The paperwork for Chaplin’s final bonus of \$30,000 includes the same terse justification as dozens of bonus documents reviewed by the Statesman: “For outstanding service to the agency.”

Markings on that Sept. 1, 2014, document show Chaplin’s service might have been twice as outstanding as his bosses originally thought. Next to the check-marked box “One-Time Merit,” the typed dollar amount “\$15,000” and percentage amount “9.8%” were crossed out by hand.

Texas General Land Office Personnel Action Form

HR Login# 033

Name (last, first, middle): **Chaplin, Matthew R.** Social Security Number: [REDACTED] Effective date of action: **9/1/2014**

Date Hired: **3/1/2003**

For all monetary actions, attach a copy of the current FPE.

Action Requested (check all that apply)

New Employees	Salary/Title Actions	Administrative Actions	Separation (from agency only)
<input type="checkbox"/> *New Employee Posting # _____ Transfer from another state agency? <input type="checkbox"/> Yes <input type="checkbox"/> No Name of agency: _____	<input type="checkbox"/> *Promotion <input type="checkbox"/> *Reclassification <i>11F</i> <input type="checkbox"/> *Demotion <i>39,000</i> <input checked="" type="checkbox"/> One-Time Merit: \$15,000 <i>\$30,000</i> <input type="checkbox"/> Merit Increase (HR Use Only) % Change <i>19.6%</i>	<input type="checkbox"/> Admin. Leave: hrs. <input type="checkbox"/> Status Change (FT/PT, Temp/Regular) <input type="checkbox"/> Change Functional Title <input type="checkbox"/> Leave Without Pay: From _____ To _____ Total Hours: _____ <input type="checkbox"/> Other (explain in justification) <input type="checkbox"/> Change USPS/PTE Position #	<input type="checkbox"/> Resignation <input type="checkbox"/> Termination (involuntary) <input type="checkbox"/> Retirement <input type="checkbox"/> Direct Transfer (to another state agency) <input type="checkbox"/> Death Attach letter of resignation/retirement.

*New Position Description must be attached. Refer to "Documentation" policy for all other actions.

In September 2014, General Land Office General Counsel Matthew Chaplin was poised to receive a \$15,000 merit bonus. With a mark of the pen, it was doubled to \$30,000.

Chaplin’s boss, Bill Warnick, scribbled a new amount 18 days later: “\$30,000,” and percentage, “19.6%.”

Patterson said he didn’t question Warnick when he signed off.

“When you’re in the leadership position, you have discretion, and you should not be afraid to use it,” he said.

Former Deputy Land Commissioner Larry Laine, also not a portfolio manager, was paid \$20,000 in July, making his total bonuses more than \$93,000 in just five years.

Few rules, little oversight

Officials who approve bonuses aren't required to report their reasons, according to the Texas comptroller's office, which provides general guidelines, such as the rule that a person can't receive more than one merit bonus within a six-month period.

The state auditor reviews bonuses paid out through investment incentive plans, but no one oversees how state officials give out merit bonuses. And while state law caps bonuses for new hires, retention and performance, there is no limit on the dollar amount or quantity of payments directors can hand out for merit and incentive bonuses.

State bonuses by the numbers

\$270 million in bonuses since fiscal 2009

\$28.6 million in bonuses in 2009

\$65 million in bonuses in 2014

78,000 workers got bonuses

111 state agencies paid bonuses

As a result, policies vary widely among agencies, and the frequency of bonuses and their size depend almost entirely on the whims of agency directors.

To be sure, some agencies provided detailed justifications for why they issued bonuses.

When the Statesman asked the Department of Aging and Disability Services and the Department of Family and Protective Services why the data showed a surge in the number and total amount of bonuses in 2012, both provided memos that detailed how they were using the program to keep caseworkers.

Caseworkers helping elderly people, foster children and disabled Texans were leaving in droves because their pay had been frozen for two years, "which has been a chronic problem for us," said Patrick Crimmins, spokesman for the Department of Family and Protective Services.

Both departments in 2012 gave out hundreds of merit bonuses, averaging about \$1,200.

Hutchinson, whose union represents many of those employees, said such bonuses are welcome, but they also signal a troubling trend.

“When you rely on bonuses and merit raises as your sole source of raising wages, it’s inevitable that you’re going to leave behind a lot of state employees,” he said. “That’s critical work — employees who protect sick kids and the elderly, and when these bonuses happen, they’re excluded.”

Still, the sprawling umbrella agency over those departments, the Health and Human Services Commission, is the biggest spender of all types of bonuses overall, with \$38.4 million awarded since fiscal 2009.

The Texas Department of Transportation, however, has spent \$36.3 million on merit bonuses alone, more than any other agency.

While the Department of Public Safety is only slightly above average in its overall disbursement of bonuses — its average merit bonus award is about \$1,700 — the department is a prime example of how bonuses often disproportionately benefit higher-paid managers whose paydays are hidden from public scrutiny.

Consider Stephen Goodson, whose merit bonus is actually a severance package.

The department’s former chief auditor was paid a \$54,000 bonus the day after he retired from his \$162,000 a year job, records show. That’s the single biggest bonus given by the DPS, and nearly twice as much as its second-highest bonus payment.

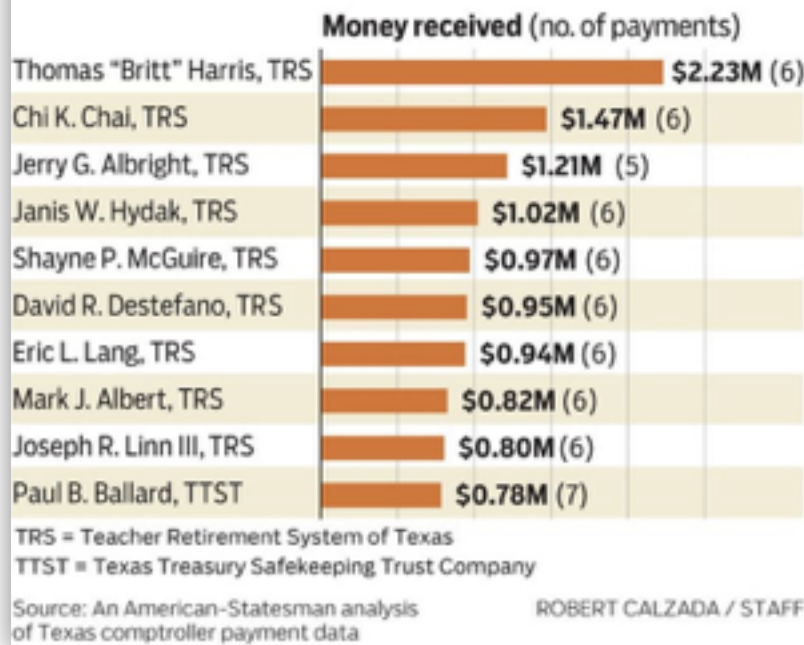
Competing with Wall Street

The Teacher Retirement System has its own type of bonus — and for good reason, said spokesman Howard Goldman.

“We face a real challenge because we have a fiduciary obligation to produce returns for our members,” Goldman said. “But we have to compete with international and private sector firms who pay a lot more than we do.”

Non-merit bonus totals

Those who manage investments that fund the pension plan for teachers are rewarded with lucrative bonuses on top of their already high salaries. An American-Statesman analysis found the top manager of the Teacher Retirement System, Thomas “Britt” Harris, has been paid \$2.2 million in bonuses since fiscal year 2009, far more than any other state employee.



The top manager of the teacher’s pension fund, Thomas “Britt” Harris, has alone collected \$2.2 million in such bonuses, more than any other state employee.

In total over the past six years, the teacher’s pension trust fund account has paid \$37.5 million in bonuses to just 171 individuals.

A review of the pension fund’s assets versus its unfunded liabilities shows the plan is in the healthy range, and Goldman attributes that health to the incentive program: the better the results, the bigger the bonus.

“We earn investment earning more than that in two days, so it kind of puts things in perspective,” he said. “It’s equitable and consistent with what’s going on in the industry.”

‘She’s worth it’

Jennifer Noack stands out because she’s the seventh-highest earner of merit bonuses — \$61,000 in five years. But her \$79,000 annual salary is significantly lower than the executives who make up most of the top earners.

“She just works her tail off,” said Darrell Spinks, executive director of the Texas State Board of Examiners of Psychologists, which monitors about 7,400 psychologists.

“Quite frankly, it’s hard to match her institutional knowledge,” he adds. “She’s worth it.”

Noack is an accountant with 25 years of experience at the board, one of dozens of smaller agencies sustaining on little funding in the shadow of Texas’ super-sized bureaucracies.

Her boss says because the Legislature hasn’t approved his request for staff raises since 2009, he’s relied on merit bonuses to retain employees and, if his agency collects enough in licensing fees, reward them for a job well done.

“I’ve got something like a 30 percent turnover rate,” Spinks said. “We’re just not competitive with the nursing board or some of the bigger agencies. We turn out to be a training ground for the other big agencies. I try to use the bonuses to try to keep that at bay.”

Noack said the extra pay is a major part of why she’s stayed with the board for a quarter-century. But she said bonuses aren’t a good solution because they’re heavily taxed and can’t increase her retirement benefits the way a pay raise would.

“The insurance has gone up, the cost of living has gone up, everything,” Noack said. “You always hear from the Legislature — do more with less. It’s a way to reward employees for sucking it up and doing their jobs and moving forward.”