



Remote Work Provides an Opportunity to Relieve a Rising Cost of Living

Written Testimony submitted to the Senate Committee on Business and Commerce

May 18, 2022

Key Takeaways:

- The turnover rate for state agency employment is at a 20-year high of 21.5%.
- Housing cost increases in the Austin-Round Rock Metropolitan Statistical Area (MSA) have outpaced Austin-based state agency employee salaries by almost 2X.
- The state of Utah's remote work initiative demonstrated job growth in rural areas, reduction in space usage, and positive employee recruitment and retention; a potential playbook for Texas.

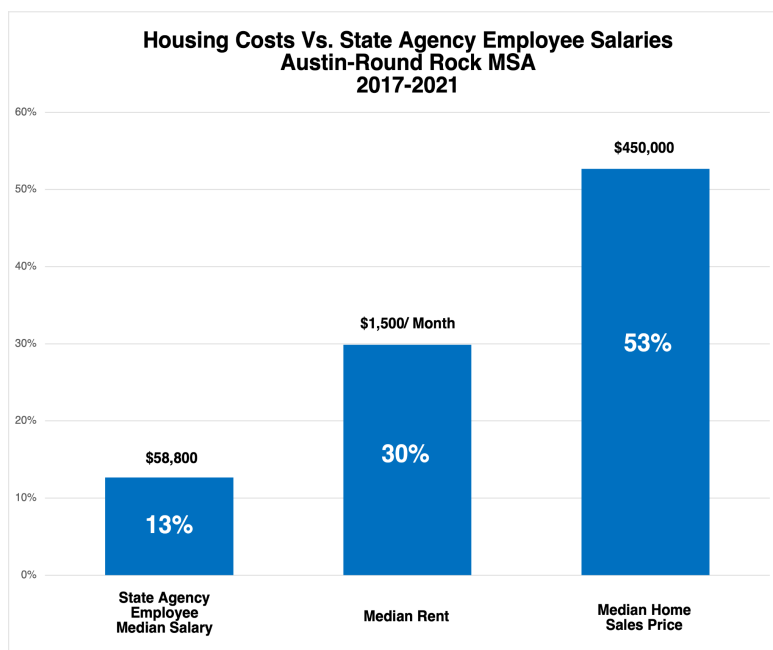
In 2021, Texas employed an average of 144,655 full-time state agency workers, not including employees of higher education institutions. The turnover rate for state agency employment is at a 20-year high of 21.5% in 2021 - even higher for agencies funded through Article II (Health and Human Services) at 24.2% and Article V (Public Safety) at 27.1%¹. The largest group in this turnover rate makes less than \$40,000 per year, and the number one reason for departure in exit interviews, for the first time since 2008, is benefits and pay².

Housing Costs Are Growing Far Faster Than State Agency Salaries

Nearly one-third of state agency staff (29%) work in Austin³. Texas 2036 examined and analyzed the data of Texas state agency employee salaries and the rising cost of living in the Austin-Round Rock MSA.

Key findings include:

- From 2017 to 2021, Austin-Round Rock MSA home prices and monthly rents have significantly outpaced the growth in state agency employee salaries when comparing across medians. *See chart on the right.*
- The median state agency employee salary in Austin for 2021 was \$58,800 annually⁴. This is just above the subsidized housing eligibility requirement in the City of Austin⁵.
- While the Austin-Round Rock MSA median housing cost has increased by over 50%⁶ in the last four years, the median salary for state agency employees in Austin has increased by 13%⁷.



Source: State Auditor's Office Electronic Classification System; U.S. Census Bureau; Texas A&M Real Estate Center

¹ State Auditor's Office Testimony to Senate Committee on Finance on May 4, 2022

² State Auditor's Office Testimony to Senate Committee on Finance on May 4, 2022

³ State Auditor's Office, Electronic Classification Analysis System

⁴ State Auditor's Office, Electronic Classification Analysis System

⁵ 2021 City of Austin HOME and CDBG Income Limits

⁶ Texas A&M University, Texas Real Estate Research Center Housing Activity for Texas

⁷ State Auditor's Office, Electronic Classification Analysis System

State agency employees residing in the Austin-Round Rock MSA have felt significant pressure from the rising cost of living for several years. However, state agency employees across the rest of state are also experiencing the same pressure. The median sale price of a home in Texas rose to \$373,449, which is a 36% increase from 2017⁸. At the same time, there has only been a 6% increase in the median state agency employee salary, which was \$44,642 in 2021⁹.

Remote Work Case Study - State of Utah

Utah first implemented a remote work pilot initiative in 2019 for a small number of employees and state agencies. In 2021, Utah's Governor issued an executive order requiring all 30 state agencies to evaluate all jobs within their agencies and identify opportunities to expand remote work opportunities. The goal of Utah's remote program is to modernize work, maximize productivity, and make a positive impact on rural communities, air quality, and real estate utilization. In January 2021, Utah had 8,600 or 39% of its state agency workforce working remote¹⁰.

Based on reporting from state agencies that represent 4,231 remote workers, Utah's remote working program has resulted in the following since 2019¹¹:

- **Rural Job Growth:** 207 additional employees working from rural Utah
- **Recruitment and Retention:** 135 employees attributed remote work as a reason for entering state employment or staying in state employment
- **Enhanced Building Utilization:** Less on-site employees resulted in 94,283 sq. ft. of space savings
- **Air Quality:** Less commuters equaled a reduction of 2.62 tons of tailpipe emissions per month

Utah's remote work initiative has also resulted in an overhaul of the state's Statewide Master Facilities Plan. With more employees projected to work remotely in the future the amount of space needed will diminish, resulting in a projected cost avoidance of \$430 million over ten years from avoiding new construction and occupancy related costs¹².

A key element of Utah's remote work initiative is state technology infrastructure improvements. In 2020, Utah invested \$7.7 million in state funding and federal coronavirus relief funding to scale its technology to support an increase in remote work¹³. Investments included: additional cybersecurity measures, bandwidth enhancements, customer service support, and telecommunications equipment. An additional \$750,000 of capital improvement funds were earmarked to support remote work technologies in 2021¹⁴.

Costs of a State Agency Employee Pay Raise

On May 4, 2022, the Legislative Budget Board testified to the Senate Committee on Finance that a 1% increase in state agency employees' salaries would cost the state \$100 million per year and each additional percent increase would be an additional \$100 million¹⁵. Texas needs to attract and retain quality talent and addressing their number one reason to leave - benefits and pay - is an important way to start.

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⁸ Texas A&M University, Texas Real Estate Research Center Housing Activity for Texas

⁹ State Auditor's Office, Electronic Classification Analysis System

¹⁰ 2021 A New Workplace Annual Report, State of Utah

¹¹ 2021 A New Workplace Annual Report, State of Utah

¹² 2021 A New Workplace Annual Report, State of Utah

¹³ 2021 A New Workplace Annual Report, State of Utah

¹⁴ 2021 A New Workplace Annual Report, State of Utah

¹⁵ Legislative Budget Board Testimony to Senate Committee on Finance on May 4, 2022